

# **TRENWICK UK HOLDINGS LIMITED**

**(Formerly Chartwell Holdings Limited)**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**31 DECEMBER 2002**



## **Contents**

<b>Contents</b>	<b>Page</b>
Officers and Professional Advisers	1
Directors' Report	2
Auditors' Report	4
Consolidated Profit and Loss – Technical Account	6
Consolidated Profit and Loss – Non-Technical Account	7
Consolidated Balance Sheet – Assets	8
Consolidated Balance Sheet – Liabilities	9
Company Balance Sheet	10
<i>Notes to the Financial Statements</i>	11

**Trenwick UK Holdings Limited**  
**(Formerly Chartwell Holdings Limited)**  
**Officers and Professional Advisers**

**Directors**

A L Hunte  
R D Law  
M C Watson

**Secretary**

K Ryan

**Registered Office**

36 Gracechurch Street  
London  
EC3V 0BT

**Company Number**

03261531

**Auditors**

PricewaterhouseCoopers LLP  
Southwark Towers  
32 London Bridge Street  
London  
SE1 9SY

**Bankers**

Barclays Bank plc  
PO Box 544  
54 Lombard Street  
London  
EC3V 9EX

**Solicitors**

Kendall Freeman  
43 Fetter Lane  
London  
EC4A 1JU

**Trenwick UK Holdings Limited**  
**(Formerly Chartwell Holdings Limited)**  
**Directors' Report**

The directors present their report and the audited financial statements of the company and of the group for the year ended 31 December 2002.

**Principal activities, review of the business and future developments**

Until 8<sup>th</sup> December 2003 the company was a holding company to the Lloyd's operations of Trenwick Group Ltd. (in provisional liquidation). On that date the Company sold for £1 consideration certain of its subsidiary undertakings including Canopus Managing Agents Limited (formerly Trenwick Managing Agents Limited) and Oak Dedicated Four Limited to Canopus Holdings UK Limited, a company formed for the purposes of a management buyout of the Trenwick Lloyd's operations. The company continues to be a holding company to undertakings that are all in run-off.

The effect of the sales referred to above on the financial position of the group is shown in note 2 to these financial statements.

The financial statements have been prepared on the going concern basis despite its shareholders' funds being in deficit. The deficit arises from loans made by the Company's ultimate holding company or by other subsidiary undertakings of Trenwick Group Ltd. (in provisional liquidation) ("the Trenwick Group") to the Company. As explained in further detail in note 1 to these financial statements, the directors consider it appropriate to regard the Company as a going concern but there is uncertainty as to whether this is the case. The directors are seeking an orderly cessation of the Company's affairs and those of its subsidiaries as soon as is practicable. As part of this process, the Company shall request the Trenwick Group companies to waive repayment of substantially all amounts due to them.

The company changed its name from Chartwell Holdings Limited to Trenwick UK Holdings Limited on 9 July 2002.

**Results and dividends**

The results of the company and the group for the period to 31 December 2002 are set out in the financial statements on pages 6 to 32.

The directors do not recommend the payment of a dividend (2001 - £nil) on the ordinary shares of £1 each for the year ended 31 December 2002.

**Directors and their interests**

The present directors of the company are listed on page 1.

The directors set out in the table below held office during the whole of the period from 1 January 2002 to the date of this report, unless otherwise indicated:

J F Billett Jnr	Resigned 7 February 2003
P Feldsher	Resigned 30 January 2003
R A Giambo	Resigned 21 March 2003
A L Hunte	
R D Law	
M C Watson	

None of the directors held an interest in the shares of the company.

In accordance with The Companies (Disclosure of Directors' Interests) (Exceptions) Regulations SI 85/802 the Directors have not disclosed their interests in the shares of Trenwick Group Ltd. (in provisional liquidation), the ultimate holding company.

**Trenwick UK Holdings Limited**  
**(Formerly Chartwell Holdings Limited)**  
**Directors' Report**

**Employees**

The number of employees in the group (including executive directors of the group) at 31 December 2002 was 187 (2001: 173).

**Charitable donations**

The group donated £1,250 to charitable organisations during the year (2001: £6,007).

**Creditors' payment policy**

The group negotiates credit terms with individual suppliers which vary according to the trading relationships with the suppliers concerned, as well as prevailing market conditions. Payment is then made in accordance with the agreed terms.

**Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group as at the end of the financial period and of the profit or loss of the group for that period. In preparing those accounts, the directors are required to:

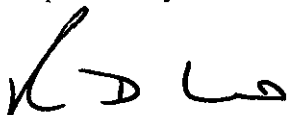
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare 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 keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and of the group, and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are responsible for safeguarding the assets of the company and of the group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Auditors**

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 27 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution proposing the re-appointment of PricewaterhouseCoopers LLP will be submitted at the Annual General Meeting.

The report of the directors was approved by the board on 23 April 2004 and signed on its behalf on 30 April 2004 by:



R D Law  
Director

**Year Ended 31 December 2002**

## **Independent auditors' report to the members of Trenwick UK Holdings Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet, and the related notes.

### **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 into 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.

### **Fundamental uncertainty**

In forming our opinion, we have considered the adequacy of the disclosure made in Note 1 to the financial statements concerning the ability of the Company to repay liabilities due to members of the Trenwick Group. The financial statements have been prepared on a going concern basis, the validity of which depends upon no repayment of these liabilities being demanded in excess of the Company's available assets. The financial statements do not include any adjustments which would result from a failure to repay these liabilities in full. Details of the circumstances relating to the fundamental uncertainty are described in Note 1. Our opinion is not qualified in this respect.

**Trenwick UK Holdings Limited  
(Formerly Chartwell Holdings Limited)**

**Year Ended 31 December 2002**

**Independent auditors' report to the members of Trenwick UK Holdings Limited  
(continued)**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 2002 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, reading "PricewaterhouseCoopers LLP", with a horizontal line underneath the text.

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London  
30 April 2004

**Trenwick UK Holdings Limited**  
**(Formerly Chartwell Holdings Limited)**  
**Consolidated Profit and Loss Account**  
**Year Ended 31 December 2002**

**Profit and loss account**  
**Technical account - general business**  
for the year ended 31 December 2002

	Note	Year ended 31 December 2002 £' 000	Year ended 31 December 2001 £' 000
<b>Earned premiums, net of reinsurance</b>			
Gross premiums written	3	37,600	62,539
Outward reinsurance premiums		(4,123)	(22,899)
Net premium written		33,477	39,640
 Changes in the gross provision for unearned premiums		5,638	(10,217)
Changes in the provision for unearned premiums reinsurers' share		(1,348)	5,516
		4,290	(4,701)
 <b>Net premiums earned</b>		<b>37,767</b>	<b>34,939</b>
 <b>Investment income from underwriting:</b>			
Transferred from the non-technical account		2,705	2,512
 Claims incurred, net of reinsurance			
Claims paid:			
- Gross amount		(56,350)	(74,767)
- Reinsurers' share		23,086	50,860
<b>Net paid claims</b>		<b>(33,264)</b>	<b>(23,907)</b>
 Change in the provision for claims:			
- Gross amount		7,719	(41,853)
- Reinsurers' share		(2,499)	38,369
<b>Change in the net provision for claims</b>		<b>5,220</b>	<b>(3,484)</b>
 Claims incurred net of reinsurance		<b>(28,044)</b>	<b>(27,391)</b>
 Net operating expenses	5	(12,147)	(16,623)
Investment expenses and charges		(863)	(122)
 <b>Total balance on the technical account for general business</b>		<b>(582)</b>	<b>(6,685)</b>

The notes on pages 11 to 32 form part of these financial statements.



**Trenwick UK Holdings Limited**  
**(Formerly Chartwell Holdings Limited)**  
**Consolidated Profit and Loss Account**  
**Year Ended 31 December 2002**

**Non-Technical Account**

for the year ended 31 December 2002

		Year ended 31 December 2002	Year ended 31 December 2001
	Notes	£'000	£'000
<b>Balance brought forward from the Technical Account – General Business</b>		<b>(582)</b>	<b>(6,685)</b>
Other trading income	3	2,896	2,371
Administrative expenses	3	(10,281)	(4,753)
Investment income		3,365	3,380
Allocated investment return transferred to the general business technical account		(2,705)	(2,512)
Loss on investment in participating interest		-	(599)
Interest payable and similar charges		(780)	(429)
Exceptional items – forgiveness of debt	3	(12,095)	-
<b>Group operating loss on ordinary activities before tax</b>	6	<b>(20,182)</b>	<b>(9,227)</b>
Tax charge on loss on ordinary activities	7	716	(2,556)
<b>Loss on ordinary activities after tax</b>		<b>(19,466)</b>	<b>(11,783)</b>
Equity minority interest		(36)	(43)
<b>Retained loss for the period</b>	19	<b>(19,502)</b>	<b>(11,826)</b>
<b>Group operating loss on ordinary activities before tax is attributable to:</b>			
Continuing operations	3	(20,182)	(9,080)
Discontinued operations	3	-	(147)
		<b>(20,182)</b>	<b>(9,227)</b>

All technical income and expenses above are in respect of operations which were continuing as at 31 December 2002.

There are no differences between the amounts reported in the profit and loss account and their historical cost equivalents. Accordingly, a note of historical cost profits and losses is not required.

There are no recognised gains or losses in the current financial year other than those reported in the profit and loss account. Accordingly, no statement of total recognised gains and losses is required.

The notes on pages 11 to 32 form part of these financial statements.

**Trenwick UK Holdings Limited**  
**(Formerly Chartwell Holdings Limited)**  
**Consolidated Balance Sheet**  
**As at 31 December 2002**

**Balance sheet**

as at 31 December 2002

	Note	2002 £'000	2001 £'000
<b>ASSETS</b>			
<b>Investments</b>			
Intangible assets	8	-	8,274
Other financial investments	12	38,223	26,023
		<b>38,223</b>	<b>34,297</b>
<b>Reinsurers' share of technical provisions</b>			
Provision for unearned premiums		8,137	9,485
Reinsurance recoveries on outstanding claims		72,353	74,853
		<b>80,490</b>	<b>84,338</b>
<b>Debtors</b>			
Debtors arising out of direct business:			
amounts owed by intermediaries		10,998	25,401
Debtors arising out of reinsurance business:			
amounts owed by intermediaries		14,775	21,648
Other debtors		12,382	59,255
	11	<b>38,155</b>	<b>106,304</b>
<b>Other assets</b>			
Tangible assets	9	412	519
Cash at bank		33,694	20,139
		<b>34,106</b>	<b>20,658</b>
<b>Prepayments and accrued income</b>			
Deferred acquisition costs		4,763	8,347
Other prepayments and accrued income		1,848	1,489
		<b>6,611</b>	<b>9,836</b>
<b>Total Assets</b>		<b>197,585</b>	<b>255,433</b>

The notes on pages 11 to 32 form part of these financial statements.

**Trenwick UK Holdings Limited**  
**(Formerly Chartwell Holdings Limited)**  
**Consolidated Balance Sheet**  
**As at 31 December 2002**

**Balance sheet (continued)**  
as at 31 December 2002

	Note	2002 £'000	2001 £'000
<b>LIABILITIES</b>			
<b>Capital and reserves</b>			
Called up share capital	17	15,495	15,495
Capital contributions	18	44,360	-
Profit and loss reserve	19	(92,098)	(72,596)
<b>Shareholders' funds – equity interests</b>	18	<b>(32,243)</b>	<b>(57,101)</b>
<b>Technical provisions</b>			
Provision for unearned premium		23,406	29,044
Claims outstanding - gross amount		142,822	149,424
		<b>166,228</b>	<b>178,468</b>
<b>Provision for other risks and charges</b>	16	<b>625</b>	<b>4,923</b>
<b>Creditors</b>			
Creditors arising out of direct business:			
amounts owed to intermediaries		1,757	4,153
Creditors arising out of reinsurance business:			
amounts owed to intermediaries		9,847	15,229
Amounts owing to group undertakings		40,394	97,243
Other creditors including tax & social security		10,633	11,690
	13	<b>62,631</b>	<b>128,315</b>
<b>Accruals and deferred income</b>		<b>154</b>	<b>688</b>
<b>Equity Minority Interest</b>		<b>190</b>	<b>140</b>
<b>Total Liabilities</b>		<b>229,828</b>	<b>312,534</b>
<b>Total Liabilities and Shareholders Equity</b>		<b>197,585</b>	<b>255,433</b>

These financial statements were approved by the Board of Directors on 23 April 2004 and signed on their behalf on 30 April 2004 by



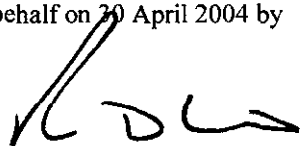
R D Law  
Director

The notes on pages 11 to 32 form part of these financial statements.

**Trenwick UK Holdings Limited**  
**(Formerly Chartwell Holdings Limited)**  
**Company Balance Sheet**  
**As at 31 December 2002**

		31 December 2002 £	31 December 2001 £
	Notes	£'000	£'000
<b>Fixed Assets</b>			
Investments in group undertakings	10	-	8,024
<b>Current Assets</b>			
Debtors	11	-	12,253
Cash at bank		129	908
		129	13,161
<b>Creditors - Amounts Falling Due Within One Year</b>	13	(19,291)	(41,879)
<b>Net Current (Liabilities)</b>		(19,162)	(28,718)
<b>Net (Liabilities)</b>		(19,162)	(20,694)
<b>Capital and Reserves</b>			
Called up share capital	17	15,495	15,495
Capital contribution	18	29,896	-
Profit and loss account	18	(64,553)	(36,189)
<b>Equity Shareholders' Deficit</b>		(19,162)	(20,694)

These financial statements were approved by the Board of Directors on 23 April 2004 and signed on their behalf on 20 April 2004 by



R D Law  
Director

The notes on pages 11 to 32 form part of these financial statements.

**Trenwick UK Holdings Limited**  
**(Formerly Chartwell Holdings Limited)**  
**Notes To The Financial Statements**  
**Year Ended 31 December 2002**

**1. Accounting Policies**

**(a) Basis of preparation – group financial statements**

The financial statements have been prepared in accordance with Section 255A of, and Schedule 9A to the Companies Act 1985 as amended by the Companies Act 1985, and with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") dated December 1998. A summary of the more important accounting policies, which have been applied consistently, except for the matters outlined in paragraph 1(b), is set out below.

Until 8<sup>th</sup> December 2003 the Company was a holding company to the Lloyd's operations of Trenwick Group Ltd. (in provisional liquidation). On 8<sup>th</sup> of December 2003, the group's trading subsidiary undertakings were sold to Canopus Holdings UK Limited for £1. The effect on the consolidated balance sheet of the group and on the balance sheet of the Company is explained in note 2 below.

The directors believe the Company remains a going concern following a review of the Company's available assets, which they believe are adequate to meet its expected obligations as and when they fall due over the next twelve months, but are not sufficient to meet all of the Company's liabilities. Uncertainty remains over the repayment of certain liabilities to the Company's ultimate holding company or to other subsidiary undertakings of Trenwick Group Ltd. (in provisional liquidation) ("Trenwick Group companies") various of which are currently in insolvency proceedings in their home jurisdictions. The directors are not aware of any present intention by any of the Trenwick Group companies to request repayment of these liabilities but the Trenwick Group companies concerned are unable and will not be able to give any undertaking not to demand repayment within the next 12 months. There is therefore a risk that the Company will be unable to meet all of its obligations and accordingly there is fundamental uncertainty as to whether the Company is a going concern.

The group has adopted an annual basis of accounting reflecting its proportion of the underwriting transactions, investment return and operating expenses of the Lloyd's syndicates on which it participates within the profit and loss account. The accounting information in respect of non-aligned syndicate participations has been provided by the managing agents of those syndicates, on a 3 year fund basis of accounting, through an information exchange facility operated by Lloyd's and has been audited by the respective syndicates' auditors. The financial statements have also been prepared in accordance with the technical release 'Accounting by Lloyd's Corporate Capital Vehicles' issued by the Institute of Chartered Accountants in England and Wales.

The company has availed itself of the exemption under Financial Reporting Standard 1 (Revised) 'Cash Flow Statements' on the grounds that it is a wholly-owned subsidiary undertaking whose ultimate parent prepares a group cash flow statement in its financial statements. As such, no cash flow statement is presented.

As the company is a wholly owned subsidiary of Trenwick Group Ltd. (in provisional liquidation), which is registered in Bermuda, the company has taken advantage of the exemption in FRS 8 'Related Party Disclosures' and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Trenwick Group Ltd. (in provisional liquidation), within which this company was included, can be obtained from the registered office of that company (see note 25). Having considered FRS 8 the directors do not believe that there are other material related party transactions that need to be separately disclosed.

**(b) Basis of preparation – company financial statements**

The company's financial statements have been prepared in accordance with Section 226 of, and Schedule 4 to, the Companies Act 1985 adopting the exemption from presenting the profit and loss account of the company as conferred by Section 230 of the Act.

The company's financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with applicable accounting standards.

**Trenwick UK Holdings Limited**  
**(Formerly Chartwell Holdings Limited)**  
**Notes To The Financial Statements**  
**Year Ended 31 December 2002**

**Notes to the financial statements (continued)**

**(c) Premiums**

Gross premiums written, which are stated gross of acquisition costs but exclusive of premium taxes, relate to business incepted during the year, together with any difference between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the company by the intermediaries.

Unearned premiums relating to risks in future periods of account are estimated on a daily pro-rata, or more appropriate, basis.

Outwards reinsurance premiums are accounted for with regard to the incidence of risk of the premiums for the direct or inwards reinsurance business to which they relate.

**(d) Incurred claims and reinsurance recoveries**

Paid claims represent all claims paid during the year and include claims handling expenses.

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the company. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. The group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the company, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insured until many years after the event giving rise to the claims has happened. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

**Trenwick UK Holdings Limited**  
**(Formerly Chartwell Holdings Limited)**  
**Notes To The Financial Statements**  
**Year Ended 31 December 2002**

**Notes to the financial statements (continued)**

1. changes in company processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous periods
2. changes in the legal environment
3. the effects of inflation
4. changes in the mix of business
5. the impact of large losses
6. movements in industry benchmarks

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these the company has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

Where possible the group adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

**(e) Life business**

All life business represents term life insurance or reinsurance which has been accounted for on an annual accounting basis similar to general business. Because of the small size of the life portfolio and the amounts involved, it is included with general business in the technical account.

**(f) Deferred acquisition costs**

Deferred acquisition costs, representing a proportion of commission and other acquisition costs that relate to policies in force at the year end, are amortised over the period in which related premiums are earned.

**(g) Reinsurance to close (RITC)**

Each syndicate underwriting account is normally closed at the end of the third year by means of reinsurance into the following year, which reinsures all future liabilities for the closed year and all previous years in return for a premium calculated by the underwriter and approved by the managing agent. To the extent that the Group increases its participation on a managed syndicate from one Lloyd's year of account to the next, it is a net recipient of premium to reinsure the earlier year of account into the latter. This share of the RITC premium is recognised as income at the end of the financial period when the related Lloyd's year of account closes and is represented in the balance sheet by the related share of assets and liabilities transferred between the two Lloyd's years of account of the managed syndicate.

**Trenwick UK Holdings Limited**  
**(Formerly Chartwell Holdings Limited)**  
**Notes To The Financial Statements**  
**Year Ended 31 December 2002**

**Notes to the financial statements (continued)**

**(h) Operating expenses**

Operating expenses attributable to the participation of the Group's underwriting subsidiary, Oak Dedicated Four Limited, on syndicates are charged, as and when incurred, to the consolidated profit and loss technical account. Operating expenses, which relate to the company's and group's corporate activities are charged, as and when incurred, to the consolidated profit and loss non-technical account.

**(i) Tangible fixed assets**

Tangible fixed assets are written off in equal instalments over their useful lives, at the following annual rates:

Fixtures and fittings	15% to 33 1/3% per annum
Motor vehicles	20% to 33 1/3% per annum

**(j) Intangible assets**

Intangible assets, which represent the cost of purchased syndicate capacity and the cost of goodwill, are stated at historical values less any amortisation charges and impairment charges. Purchased syndicate capacity is amortised over a twenty year period on a straight line basis commencing from the underwriting year to which the purchased capacity relates.

On consolidation, goodwill arising on the acquisition of subsidiary and associated undertakings is capitalised on the consolidated balance sheet and amortised over a period of 20 years. Goodwill will be written down in value if, in the directors' opinion, the value has been permanently impaired.

**(k) Investment income and expenses - technical account**

The group's share of the income from investments held by the syndicates' trustees is included in the technical account, together with the related tax credit and before investment management expenses, on an accruals basis.

Realised gains or losses represent the difference between net sales proceeds and purchase price.

Unrealised gains and losses on investments represent the difference between the valuation of investments at the balance sheet date and their purchase price or if they have been previously valued their valuation at the last balance sheet date. Unrealised gains and losses on investments are reported in the profit and loss account. Provision is made for any permanent diminution in value and is written off to the profit and loss account.

**(l) Investments**

Investments are stated at the current value. For this purpose, listed investments are stated at the market value on the balance sheet date. Unlisted investments for which a market exists are stated at the average price at which they were traded on the balance sheet date or the last trading day before that date.

Fixed asset investments (including investments in subsidiary and associated undertakings) are stated at the lower of cost and net realisable value.

**(m) Investment income and expenses - non technical account**

Income from the group's investments and expenses are accounted for in the non-technical account on the same basis as those in the technical account.



**Trenwick UK Holdings Limited**  
**(Formerly Chartwell Holdings Limited)**  
**Notes To The Financial Statements**  
**Year Ended 31 December 2002**

**Notes to the financial statements (continued)**

**(n) Unexpired risk provision**

Provision has been made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risks provision. The expected claims are calculated having regard to events that have occurred prior to the balance sheet date.

Unexpired risk surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises.

**(o) Foreign currency translations**

Monetary assets and liabilities are translated into sterling at the exchange rates prevailing at the balance sheet date. Income and expenses transactions are translated using the rates prevailing at the date of transaction or appropriate average rates except for US and Canadian dollar transactions, which are converted at year end exchange rates used for syndicate accounts purposes. Gains or losses arising on translation are included in the technical account.

**(p) Taxation and deferred taxation**

The charge for taxation is based on realised profits for the year and takes into account deferred taxation.

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 Group's taxable profits and its results as stated in the financial statements. 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 substantially enacted by the balance sheet date.

Deferred tax is measured on a non-discounted basis. Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

**(q) Finance and operating leases**

Where the group has substantially all the risks and rewards of ownership of an asset subject to a lease, the lease is treated as a finance lease. All other leases are treated as operating leases.

Future instalments payable under finance leases, net of finance charges, are included in creditors with the corresponding asset values recorded in tangible fixed assets and depreciated over the shorter of their estimated useful lives or their lease terms. Payments are apportioned between the finance element, which is charged to the profit and loss account, net of amounts recharged to syndicates as interest, and the capital element, which reduces the outstanding obligation for future instalments.

**(r) Pension contributions**

The cost of providing pension contributions for all staff is charged to the profit and loss account in the year to which they relate. Cost of pension contributions arising from staff remuneration which is ultimately borne by group undertakings or by the group's managed syndicates are charged to those companies or syndicates as incurred.

**Trenwick UK Holdings Limited**  
**(Formerly Chartwell Holdings Limited)**  
**Notes To The Financial Statements**  
**Year Ended 31 December 2002**

**Notes to the financial statements (continued)**

**2. Post Balance Sheet Event and Related Party Transaction**

On 8<sup>th</sup> December 2003, certain subsidiary undertakings as listed in note 10, were sold to Canopus Holdings UK Limited for £1 consideration. The following shows the consolidated balance sheet of the group on a proforma basis excluding the assets and liabilities of the subsidiaries that were sold.

MC Watson, JA Giordano, RD Law, JKF Lintner, CN McGinn, T Tannett and PJ Tester, being directors of the Company and/or of one or more of its subsidiary undertakings, were members of the management buy-out team that invested in the share capital of Talisman Holdings Limited and which is the holding company of the acquiring company: Canopus Holdings UK Limited.

**Pro-forma Balance sheet**

as at 31 December 2002

	2002 £' 000	Impact of Disposal of Subsidiaries 2002 £' 000	Pro-forma Excluding disposals 2002 £' 000
<b>ASSETS</b>			
<b>Investments</b>			
Intangible assets	-	-	-
Other financial investments	38,223	(38,223)	-
	<b>38,223</b>	<b>(38,223)</b>	<b>-</b>
<b>Reinsurers' share of technical provisions</b>			
Provision for unearned premiums	8,137	(8,137)	-
Reinsurance recoveries on outstanding claims	72,353	(72,353)	-
	<b>80,490</b>	<b>(80,490)</b>	<b>-</b>
<b>Debtors</b>			
Debtors arising out of direct business:			
amounts owed by intermediaries	10,998	(10,998)	-
Debtors arising out of reinsurance business:			
amounts owed by intermediaries	14,775	(14,775)	-
Other debtors	12,382	(10,870)	1,512
	<b>38,155</b>	<b>(36,643)</b>	<b>1,512</b>
<b>Other assets</b>			
Tangible assets	412	(412)	-
Cash at bank	33,694	(31,502)	2,192
	<b>34,106</b>	<b>(31,914)</b>	<b>2,192</b>
<b>Prepayments and accrued income</b>			
Deferred acquisition costs	4,763	(4,763)	-
Other prepayments and accrued income	1,848	(1,832)	16
	<b>6,611</b>	<b>(6,595)</b>	<b>16</b>
<b>Total Assets</b>	<b>197,585</b>	<b>(193,865)</b>	<b>3,720</b>

Trenwick UK Holdings Limited  
(Formerly Chartwell Holdings Limited)  
**Notes To The Financial Statements**  
Year Ended 31 December 2002

Notes to the financial statements (continued)

**Pro-forma Balance sheet (continued)**

as at 31 December 2002

	2002	Impact of Disposal of Subsidiaries 2002	Pro-forma Excluding disposals 2002
	£'000	£'000	£'000
<b>LIABILITIES</b>			
<b>Capital and reserves</b>			
Called up share capital	15,495	-	15,495
Capital contributions	44,360	(14,464)	29,896
Profit and loss reserve	(92,098)	27,443	(64,655)
<b>Shareholders' funds – equity interests</b>	<b>(32,243)</b>	<b>12,979</b>	<b>(19,264)</b>
<b>Technical provisions</b>			
Provision for unearned premium	23,406	(23,406)	-
Claims outstanding - gross amount	142,822	(142,822)	-
	<b>166,228</b>	<b>(166,228)</b>	<b>-</b>
<b>Provision for other risks and charges</b>	<b>625</b>	<b>(175)</b>	<b>450</b>
<b>Creditors</b>			
Creditors arising out of direct business:			
amounts owed to intermediaries	1,757	(1,757)	-
Creditors arising out of reinsurance business:			
amounts owed to intermediaries	9,847	(9,847)	-
Amounts owing to group undertakings	40,394	(21,323)	19,071
Other creditors including tax & social security	10,633	(7,201)	3,432
	<b>62,631</b>	<b>(40,128)</b>	<b>22,503</b>
<b>Accruals and deferred income</b>	<b>154</b>	<b>(123)</b>	<b>31</b>
<b>Equity Minority Interest</b>	<b>190</b>	<b>(190)</b>	<b>-</b>
<b>Total Liabilities</b>	<b>229,828</b>	<b>(206,844)</b>	<b>22,984</b>
<b>Total Liabilities and Shareholders Equity</b>	<b>197,585</b>	<b>(193,865)</b>	<b>3,720</b>

**Trenwick UK Holdings Limited**  
**(Formerly Chartwell Holdings Limited)**  
**Notes To The Financial Statements**  
**Year Ended 31 December 2002**

**Notes to the financial statements (continued)**

**3. Segmental Analysis**

Year ended 31 December 2002

	<b>Gross premiums written</b>	<b>Gross premiums earned</b>	<b>Gross claims incurred</b>	<b>Operating expenses</b>	<b>Reinsurance balance</b>
	£'000	£'000	£'000	£'000	£'000
Accident & Health	34	37	45	13	(9)
Motor – Other Classes	196	215	262	62	(43)
Marine, Aviation & Transport	2,850	4,698	8,283	1,444	(2,883)
Fire & other damage to property	13,369	14,648	18,573	3,801	(2,005)
Third Party Liability	16,726	18,793	14,453	4,642	(9,430)
Other	265	291	255	29	(32)
Reinsurance Acceptances	4,160	4,556	6,760	2,156	(714)
<b>Total</b>	<b>37,600</b>	<b>43,238</b>	<b>48,631</b>	<b>12,147</b>	<b>(15,116)</b>

All gross premiums have been underwritten in the Lloyd's of London insurance market or in the United Kingdom. Where reinsurance inwards business has the characteristics of primary business it is included with that primary business.

Year ended 31 December 2001

	<b>Gross premiums written</b>	<b>Gross premiums earned</b>	<b>Gross claims incurred</b>	<b>Operating expenses</b>	<b>Reinsurance balance</b>
	£'000	£'000	£'000	£'000	£'000
Accident & Health	(74)	(62)	353	3	(203)
Motor – Third Party Liability	1	1	(1)	(2,153)	-
Motor – Other Classes	346	290	525	101	(88)
Marine, Aviation & Transport	8,882	7,431	21,070	3,253	(25,229)
Fire & other damage to property	13,079	10,942	10,590	4,725	188
Third Party Liability	37,536	31,404	60,429	12,112	(50,521)
Other	1,972	1,650	1,667	569	334
Reinsurance Acceptances	797	666	21,987	(1,987)	3,673
<b>Total</b>	<b>62,539</b>	<b>52,322</b>	<b>116,620</b>	<b>16,623</b>	<b>(71,846)</b>

**Trenwick UK Holdings Limited**  
**(Formerly Chartwell Holdings Limited)**  
**Notes To The Financial Statements**  
**Year Ended 31 December 2002**

**Notes to the financial statements (continued)**

**(b) Group non-technical account**

	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
<b>(i) Other trading income</b>		
Lloyd's underwriting agencies		
Profit commission	204	133
Agency fees	1,288	1,022
Other fees	-	16
	<u>1,492</u>	<u>1,171</u>
Insurance services	<u>1,404</u>	<u>1,200</u>
	<u>2,896</u>	<u>2,371</u>
<b>(ii) Administrative expenses</b>		
Lloyd's underwriting agencies	2,150	3,679
Insurance services	1,053	1,074
Amortisation of intangible fixed assets	8,274	
Other expenses	(1,196)	-
	<u>10,281</u>	<u>4,753</u>
<b>(iii) Net corporate liabilities</b>		
Lloyd's underwriting agencies	(25,262)	(48,937)
Insurance services	(8,016)	(8,164)
	<u>(33,278)</u>	<u>(57,101)</u>

Other trading income emanating from insurance services includes £1,262,808 (2001: £1,041,384) of activities undertaken by a subsidiary in Australia. The rest of turnover is derived from activities wholly undertaken in the United Kingdom.

Net corporate liabilities employed within insurance services include net assets of £759,073 (2001: £629,663) which are located in Australia. All other net liabilities are located in the United Kingdom.

In 2002, Oak dedicated Four Limited accepted intercompany debt from Trenwick America Corporation, resulting in an exceptional expense of £12,094,926 in the year. The transaction was part of a group restructuring of debt. The restructuring was to the benefit of Oak Dedicated Four Limited, enabling the company to continue underwriting in 2003.

All technical and non-technical income and expense is in respect of operations which were continuing as at 31 December 2002.

**Trenwick UK Holdings Limited**  
**(Formerly Chartwell Holdings Limited)**  
**Notes To The Financial Statements**  
**Year Ended 31 December 2002**

**Notes to the financial statements (continued)**

**(c) Continuing and discontinuing activities at 31 December 2001**

	Continuing activities	Discontinued activities	Total
	£'000	£'000	£'000
Balance on technical account	(6,685)	-	(6,685)
Other trading income	2,212	159	2,371
Administrative expenses	(4,249)	(504)	(4,753)
Investment income	3,166	214	3,380
Allocated investment return transferred to the general business technical account	(2,512)	-	(2,512)
Interest payable and similar charges	(413)	(16)	(429)
Share of associates' tax charge on losses before tax	(599)	-	(599)
<b>Loss on ordinary activities before tax</b>	<b>(9,080)</b>	<b>(147)</b>	<b>(9,227)</b>

**4. US Terror Attacks of 11 September 2001**

The terrorist attacks of 11 September 2001 in the United States have resulted in a number of claims being made against the group through its participation on Syndicate 839. These claims and the syndicate's assessment of future claims development have had a material effect on the group's business. The estimate of the gross loss to the group as at 31 December 2002 is approximately £20.0m against which the group expects to recover from reinsurance protections approximately £18.3m, net of reinstatement premiums to reinstate cover for future losses. These claims are unprecedented in the insurance industry and as a result the extent of the gross and net loss is subject to more uncertainty than is usual for insurance losses.

Some 94% of the group's gross exposure emanate from its aviation account, 5 % from its casualty account and 1% from the marine account. The portfolio has been reviewed on a policy by policy basis to estimate the impact of the attacks on a gross and net basis.

The final cost of this tragic event will not be known for many years, and it is likely that there will be years of disputes and litigation because of the complexity of the issues involved in determining both quantum and liability.

The loss estimates are sensitive to key assumptions regarding, among others, the legal basis for the liability and the extent to which reinsurance policies are utilised.

In arriving at the estimate for this loss the directors made the following key assumptions:

- The two aircraft impacts on the World Trade Centre are treated as two occurrences.
- Aviation losses in respect of the aircraft that crashed in Pennsylvania and in the Pentagon are two further occurrences.
- War exclusions on policies do not apply. The loss has been caused by terrorist action
- No further large claims will be advised against the syndicate.

The amount of reinsurance recoveries is sensitive to any insolvencies among the syndicate's reinsurers. Provisions, based on management's assessment of the recoverability from reinsurers using the most recent information available, have been established against the risk of reinsurance bad debt resulting from such an event.

**Trenwick UK Holdings Limited**  
**(Formerly Chartwell Holdings Limited)**  
**Notes To The Financial Statements**  
**Year Ended 31 December 2002**

**Notes to the financial statements (continued)**

Whilst the directors considered the estimate of loss as a result of the attacks on 11 September 2001 to be the best estimate that can be made on the basis of the information available, the estimate is subject to significant uncertainties as described above. Further information could be received which may cause the estimate to be increased or decreased. The cost or benefit of any adjustments will be reflected in the financial period in which the adjustments are made. It may take a number of years to resolve some of these uncertainties.

**5. Net operating expenses - technical account**

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Acquisition costs	6,539	18,436
Changes in deferred acquisition costs	3,583	(4,518)
Administrative expenses	2,025	2,597
Net quota share income	-	108
<b>Total</b>	<b>12,147</b>	<b>16,623</b>

**6. Group operating loss on Ordinary Activities Before Tax**

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
<b>Group operating loss on ordinary activities before tax is stated after charging the following items:</b>		
Staff costs, including directors' emoluments (Note 6b)	3,633	2,320
Auditors' remuneration		
- Audit fees	110	59
- Non-audit fees	-	-
Operating lease rentals – land and buildings		321
Impairment of Goodwill	6,047	-
Impairment of Syndicate participation rights	238	-
Amortisation of intangible fixed assets (Note 8)	1,989	1,988
Depreciation of tangible fixed assets (Note 9)	304	303

The auditors' remuneration noted above relates to the aggregate remuneration of the auditors of the combined operations constituted as the group. Of the auditors' remuneration £38,500 (2001: £10,000) arose in relation to the holding company. In addition, amounts paid to the auditors in respect of non-audit work amounted to £nil (2001: £nil).

**Trenwick UK Holdings Limited**  
**(Formerly Chartwell Holdings Limited)**  
**Notes To The Financial Statements**  
**Year Ended 31 December 2002**

**Notes to the financial statements (continued)**

**6. Directors and Employees**

- (a) The average number of employees (including directors) employed by the group during the year was made up as follows:

	2002	2001
Underwriting staff	74	68
Other agency, accounting and administrative staff	86	75
Insurance services staff	27	30
	<u>187</u>	<u>173</u>

- (b) The employment costs of the above were as follows:

	2002 £'000	2001 £'000
Salaries and wages	13,373	8,590
Social security costs	1,312	896
Other pension costs	2,001	995
	<u>16,686</u>	<u>10,481</u>

**(c) Pension contributions**

The group operated defined contribution schemes for its United Kingdom employees. The levels of contributions varied between 5% and 20% depending upon the age of each participant at the beginning of each calendar year. The assets of the scheme are held separately from those of the Company and the group in independently administered funds. The pension costs charge includes contributions payable by the group to the funds during the period. No contributions were outstanding at the year end (2001: £nil).

**(d) Directors**

Directors' emoluments for the year including benefits in kind but excluding pension contributions, amounted to £143,084 (2001: £1,132,000), of which £59,314 (2001: £1,122,000) was charged to managed syndicates. In addition £41,532 (2001: £5,000) of pension contributions were paid in respect of two directors (2001: 1) of which £19,742 (2001: £3,000) was been recharged to managed syndicates.

The emoluments of the highest paid director for the year were £110,533 (2001: £477,000). Pension contributions were paid in respect of this director for the year of £37,287 (2001: £81,000). These costs were largely recharged to managed syndicates.



**Trenwick UK Holdings Limited**  
**(Formerly Chartwell Holdings Limited)**  
**Notes To The Financial Statements**  
**Year Ended 31 December 2002**

**Notes to the financial statements (continued)**

**7. Tax Charge / (Credit) On Loss On Ordinary Activities**

	<b>2002</b> <b>£'000</b>	<b>2001</b> <b>£'000</b>
United Kingdom corporation tax at 30% (2000: 30%)	-	-
Overseas tax charge	115	185
(Over) / under provision in prior years' tax charge	(805)	(333)
Deferred tax charge / (credit) – United Kingdom	-	2,800
Deferred tax (credit) / charge – overseas	(26)	(96)
	<u>(716)</u>	<u>2,556</u>
<b>Factors affecting tax charge:</b>		
Profit / (loss) before tax	<u>(20,182)</u>	<u>(9,227)</u>
 Tax at 30%	(6,054)	(2,768)
Non-taxable expenses	6,110	56
Tax losses not utilised	(56)	2,712
Overseas tax charge	115	185
(Over) / under provision in prior years' tax charge	(805)	(333)
Deferred tax charge/(credit) – United Kingdom	-	2,800
Deferred tax (credit)/charge – overseas	(26)	(96)
	<u>(716)</u>	<u>2,556</u>

**8. Intangible Fixed Assets**

<b>Cost</b>	<b>Purchased goodwill £'000</b>	<b>Syndicate participation rights £'000</b>	<b>Group corporate total £'000</b>
At 31 December 2002 and 31 December 2001	<u>39,532</u>	<u>274</u>	<u>39,806</u>
<b>Accumulated amortisation</b>			
At 1 January 2002	31,508	24	31,532
Amortisation for the year	1,977	12	1,989
Impairment in value	6,047	238	6,285
At 31 December 2002	<u>39,532</u>	<u>274</u>	<u>39,806</u>
 <b>Net book value at 31 December 2002</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net book value at 30 December 2001</b>	<u>8,024</u>	<u>250</u>	<u>8,274</u>

Following an impairment review of the value of purchased goodwill and of syndicate participation rights by the directors a decision was made to write the net book value down to £nil.

**Trenwick UK Holdings Limited**  
**(Formerly Chartwell Holdings Limited)**  
**Notes To The Financial Statements**  
**Year Ended 31 December 2002**

**Notes to the financial statements (continued)**

**Syndicate participation rights**

Of the syndicate participation rights, a cost of £36,000 arose within Oak Dedicated Four Limited in 1997, when it purchased the rights to participate in various syndicates for the 1998 year of account and subsequent underwriting years.

The remaining cost of £238,000 relates to Oak Dedicated Four Limited's acquisition of participation rights for the 2000 and subsequent underwriting years of syndicate 839.

**9. Tangible Fixed Assets**

	<b>Motor vehicles</b>	<b>Fixtures, fittings and equipment</b>	<b>Group Corporate Total</b>
<b>Cost</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 31 December 2001	60	3,307	3,367
Additions	29	170	199
Disposals	(2)	-	(2)
At 31 December 2002	<u>87</u>	<u>3,477</u>	<u>3,564</u>
 <b>Accumulated depreciation</b>			
At 31 December 2001	13	2,835	2,848
Charge for the year	16	288	304
As at 31 December 2002	<u>29</u>	<u>3,123</u>	<u>3,152</u>
 <b>Net book value at 31 December 2002</b>	<u>58</u>	<u>354</u>	<u>412</u>
<b>Net book value at 31 December 2001</b>	<u>47</u>	<u>472</u>	<u>519</u>

**Tangible fixed assets held under finance leases**

The net book value at 31 December 2002 includes £2,000 (2001: £9,000) of fixtures and fittings, and £55,000 (2001: £38,000) of motor vehicles acquired under finance leases. The gross depreciation charge includes £13,000 (2001: £13,000) in respect of these assets.

**10. Fixed Asset Investments**

**(a) Group corporate**

	<b>31 December 2002</b>	<b>31 December 2001</b>
	<b>£</b>	<b>£</b>
	<b>£'000</b>	<b>£'000</b>
<b>Interests in participating undertakings</b>		
Opening	(1,433)	(821)
Group's share of pre-tax losses in associated undertakings	-	(600)
Group's share of tax charges in associated undertakings	-	(12)
Disposals	1,433	-
Closing	<u>-</u>	<u>(1,433)</u>

**Trenwick UK Holdings Limited**  
**(Formerly Chartwell Holdings Limited)**  
**Notes To The Financial Statements**  
**Year Ended 31 December 2002**

**Notes to the financial statements (continued)**

**(b) Company**

**(i) Fixed asset investments**

The company's fixed asset investments represent investments in subsidiary and associated undertakings at cost less provision for impairment.

	<b>31 December 2002 £'000</b>	<b>31 December 2001 £'000</b>
At 1 January	8,024	8,024
Impairment provision	(8,024)	-
At 31 December	<u>-</u>	<u>8,024</u>

**(iii) Subsidiary and associated undertakings**

Details of the company's direct and indirect subsidiary and associated undertakings as at 31 December 2002 are stated below, all of which operate in the United Kingdom and are registered in England and Wales, unless stated otherwise. All the subsidiary and associated undertakings have been consolidated using acquisition accounting and equity accounting respectively.

<b>Subsidiaries</b>	<b>Principal Activities</b>	<b>Effective ordinary shares held by the company or by its nominees (%)</b>
Trenwick UK plc	Intermediate Holding Company	100% <sup>(i)</sup>
ADIT Holdings Limited	Intermediate Holding Company	100% <sup>(vi)</sup>
Archer Dedicated plc	Intermediate Holding Company	100% <sup>(viii)</sup>
Archer Personal Lines Limited	Insurance Intermediary (trade has now ceased)	100% <sup>(ii)</sup>
Trenwick Underwriting Limited	Insurance Intermediary	100% <sup>(ii)</sup>
Bowman Loss Adjusters Limited	Loss Adjusters (trade has now ceased)	100% <sup>(ii)</sup>
Castle Members Agents Limited	Members' Agent at Lloyd's (trade has now ceased)	100% <sup>(ii)</sup>
Target Insurance Company (Guernsey) Limited (registered in Guernsey)	Insurance Captive (now liquidated)	100% <sup>(ii)</sup>
Surveyors Direct Limited	Non-Trading Company	100% <sup>(iv)</sup>
Castle Underwriting Holdings Limited	Intermediate Holding Company	100% <sup>(ii)</sup>
ISIS Consulting Inc (registered and operating in the USA)	Insurance Services Consultants	33.33% <sup>(ii)</sup>

**Trenwick UK Holdings Limited**  
**(Formerly Chartwell Holdings Limited)**  
**Notes To The Financial Statements**  
**Year Ended 31 December 2002**

**Notes to the financial statements (continued)**

The following companies, which were direct and indirect subsidiary undertakings as at 31 December 2002, were sold to Canopus Holdings UK Limited on 8<sup>th</sup> December 2003 for £1 consideration.

<b>Subsidiaries</b>	<b>Principal Activities</b>	<b>Effective ordinary shares held by the company or by its nominees (%)</b>
Canopus Managing Agents Limited (formerly Trenwick Managing Agents Limited)	Managing Agent at Lloyd's	100% <sup>(ii)</sup>
Canopus Services Limited (formerly Trenwick UK Management Services Limited)	Group Service Company	100% <sup>(ii)</sup>
Canopus Pensions Trustees Limited (formerly Trenwick UK Pension Trustees Limited)	Trustees of Pension Schemes	100% <sup>(ii)</sup>
Oak Dedicated Four Limited	Lloyd's Corporate Member	100% <sup>(vii)</sup>
Resource Underwriting Pacific Proprietary Ltd (registered and operating in Australia)	Insurance Intermediary	75% <sup>(ii) (x)</sup>

- (i) Shares held directly by Trenwick UK Holdings Limited
- (ii) Shares held 100% by Trenwick UK Plc.
- (iv) Shares held 100% by Castle Underwriting Holdings Limited
- (vi) Shares held 100% by Archer Dedicated Plc
- (vii) Shares held 100% by ADIT Holdings Limited
- (viii) Shares held 29.23% by Trenwick UK Plc and 70.77% by Trenwick UK Holdings Limited.
- (ix) Shares held 100% by Dex Holdings Limited
- (x) Additionally AUSS\$ 200,000 of Preference shares were held 100% by Trenwick UK plc until 12 February 2003 when they were redeemed.

The group's interest in the following Dex companies was sold on 24 May 2002:

<b>Associates</b>	<b>Principal Activities</b>	<b>Effective ordinary shares held by the company or by its nominees (%)</b>
Dex Services Limited	Service Company	24.00% <sup>(i)</sup>
Dex Holdings Limited	Intermediate Holding Company	22.22% <sup>(i)</sup>
Dex Name Limited	Lloyd's Corporate Member	22.22% <sup>(ix)</sup>

Target Insurance Company (Guernsey) Ltd was liquidated on 29 May 2003 following a members' voluntary liquidation.

Trenwick UK Holdings Limited  
(Formerly Chartwell Holdings Limited)  
**Notes To The Financial Statements**  
Year Ended 31 December 2002

**Notes to the financial statements (continued)**

**11. Debtors**

**(a) Group**

	2002 £'000	2001 £'000
<i>Amounts falling due within one year:</i>		
Trade debtors	2,704	4,351
Debtors arising out of direct business: amounts owed by intermediaries	10,998	25,401
Debtors arising out of reinsurance business: amounts owed by intermediaries	14,775	21,648
Amounts due from related undertakings	1,582	44,099
Corporation tax recoverable	46	42
Other debtors	8,050	10,763
	<u>38,155</u>	<u>106,304</u>

**(b) Company**

	Company 2002 £'000	Company 2001 £'000
<i>Amounts falling due within one year:</i>		
Amounts due from immediate group undertakings, net of provisions	-	11,717
Other debtors	-	536
	<u>-</u>	<u>12,253</u>

**12. Financial investments**

	2002 £'000	2001 £'000
Shares & other variable-yield securities and units in unit trusts	31,603	1,232
Debt securities and other fixed income securities	2,218	21,449
Cash, money markets, and short-term deposits held within investment funds	4,402	3,342
Market value as at 31 December	<u>38,223</u>	<u>26,023</u>
Cost as at 31 December	<u>38,205</u>	<u>25,806</u>

The value of investments listed on recognised stock exchanges at 31<sup>st</sup> December 2002 was £29,231,160 (2001: £22,681,000).

**Trenwick UK Holdings Limited**  
**(Formerly Chartwell Holdings Limited)**  
**Notes To The Financial Statements**  
**Year Ended 31 December 2002**

**Notes to the financial statements (continued)**

**13. Creditors – Amounts Falling Due Within One Year**

**(a) Group**

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Creditors arising out of direct business: amounts owed to intermediaries	1,757	4,153
Creditors arising out of reinsurance business: amounts owed to intermediaries	9,847	15,229
Finance lease obligations	66	55
Loan notes	-	848
Trade creditors	6,068	6,017
Amounts owed to related undertakings	40,394	97,243
Corporation tax payable	12	179
Social security and other taxation	227	260
Other creditors	4,260	4,331
	<u>62,631</u>	<u>128,315</u>

**(b) Company**

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Loan notes	-	848
Amounts owed to group undertakings	19,272	40,987
Other creditors	3	19
Accruals and deferred income	16	25
	<u>19,291</u>	<u>41,879</u>

**14. Deferred Tax Recoverable and Payable**

A potential deferred tax asset of £20,509,000 (2001: £20,509,000) has not been recognised in the accounts.

**Trenwick UK Holdings Limited**  
**(Formerly Chartwell Holdings Limited)**  
**Notes To The Financial Statements**  
**Year Ended 31 December 2002**

**Notes to the financial statements (continued)**

**15. Insurance Intermediaries' Assets And Liabilities**

A number of companies in the group acted as agents in placing the insurable risks with syndicates and as such are generally not liable as principal for premiums due to underwriters, or for claims payable to clients. Notwithstanding the legal relationship with clients and underwriters, and since in practice premium and claim monies are usually accounted for by insurance intermediaries, these companies have followed generally accepted accounting practice by showing cash, debtors and creditors relating to insurance business as assets and liabilities of the companies themselves.

Included in the consolidated balance sheet headings listed below are the following amounts which relate to:

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Cash at bank	3,308	1,783
Trade debtors	2,897	4,350
Trade creditors – amounts falling due within one year	<u>(6,205)</u>	<u>(6,112)</u>

**16. Provision for Other Risks and Charges**

**(a) Group corporate**

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
Claims handling provision	-	2,873
Provision for the Group's share in the deficiency of net assets of participating interests	-	1,433
Other	625	617
	<u>625</u>	<u>4,923</u>

**(b) Company**

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
At 31 December 2002 and 31 December 2001	<u>-</u>	<u>-</u>

**17. Called Up Share Capital**

	<b>Group and Company 2002 £'000</b>	<b>Group and Company 2001 £'000</b>
<b>Authorised:</b>		
25,000,000 ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>
<b>Allotted, issued and fully paid:</b>		
15,494,955 ordinary shares of £1 each	<u>15,495</u>	<u>15,495</u>

**Trenwick UK Holdings Limited**  
**(Formerly Chartwell Holdings Limited)**  
**Notes To The Financial Statements**  
**Year Ended 31 December 2002**

**Notes to the financial statements (continued)**

**18. Reconciliation of Movements in Shareholders' Funds**

	<b>Group</b>	<b>Company</b>
	<b>£'000</b>	<b>£'000</b>
Balance at the beginning of the year	(57,101)	(20,694)
Capital contributions	44,360	29,896
Loss for the year	(19,502)	(28,364)
Balance at the end of the year	<u>(32,243)</u>	<u>(19,162)</u>

As permitted by section 230 of the Companies Act 1985, the Company's profit and loss account has not been included in these financial statements. The Company's loss for the financial year was £28,364,204 (2001: £61,000).

*In December 2002, the Company's ultimate parent undertaking Trenwick Group Ltd. (in provisional liquidation) converted £29,895,976 of debt owed by the Company to a capital contribution and £2,369,437 of debt owed by a subsidiary undertaking to a capital contribution in that subsidiary undertaking. In the same month, LaSalle Re, a related company, made a capital contribution to a subsidiary undertaking of £12,094,926.*

**19. Statement Of Retained Profit And Loss**

	<b>Group</b>	<b>Company</b>
	<b>£'000</b>	<b>£'000</b>
Opening retained loss	(72,596)	(36,189)
Retained loss for the period	(19,502)	(28,364)
Closing retained loss	<u>(92,098)</u>	<u>(64,553)</u>



**Trenwick UK Holdings Limited**  
**(Formerly Chartwell Holdings Limited)**  
**Notes To The Financial Statements**  
**Year Ended 31 December 2002**

**Notes to the financial statements (continued)**

**20. Finance Lease Commitments**

	<b>Group 2002 £'000</b>	<b>Group 2001 £'000</b>
<b>The maturity of finance leases are as follows:</b>		
Due within 1 year	22	14
Due within 2 to 5 years	56	46
	<u>78</u>	<u>60</u>
Less: Finance lease charges allocated to future periods	(12)	(9)
	<u>66</u>	<u>51</u>
 <b>The maturity of the capital element of finance leases are as follows:</b>		
Due within 1 year	19	12
Due within 2 to 5 years	47	39
	<u>66</u>	<u>51</u>

**21. Operating Lease Commitments**

The group has annual lease commitments for land and buildings, the majority of which will be recharged to managed syndicates as incurred, details of which are as follows:

	<b>Group 2002 £'000</b>	<b>Group 2001 £'000</b>
<b>Operating leases which expire:</b>		
Within 1 year	1,109	92
Within 2 to 5 years	183	1,198
After 5 years	-	13
	<u>1,292</u>	<u>1,303</u>

**22. Funds At Lloyd's To Support Underwriting**

Funds at Lloyd's are held subject to the terms of the Lloyd's Trust Deeds to meet obligations to the Society of Lloyd's. The composition of the Funds at Lloyd's is shown below:

	<b>2002 £'000</b>	<b>2001 £'000</b>
Letters of credit	16,446	22,349
Cash	13,486	4,282
Total Funds at Lloyd's	<u>29,932</u>	<u>26,631</u>

Except as set out below all Funds at Lloyd's are provided by the group.

£750,000 of cash and £452,094 of Letters of Credit are provided by a quota share reinsurer. The balance of the letters of credit are provided by a consortium of banks pursuant to a credit facility between Trenwick America Corporation, Trenwick Holdings Limited and this consortium dated 24 November 1999 as subsequently amended and restated.

**Trenwick UK Holdings Limited**  
**(Formerly Chartwell Holdings Limited)**  
**Notes To The Financial Statements**  
**Year Ended 31 December 2002**

**Notes to the financial statements (continued)**

**23. Pensions**

Canopus Services Limited (formerly Trenwick UK Management Services Limited) operated defined contribution pension schemes on behalf of related companies. The assets of the schemes are held separately from those of the group in independently administered funds. The pension costs charge represents contributions payable by the group to the funds during the period. No contributions were outstanding at the year end.

**24. Contingent Liabilities and Guarantees**

Trenwick UK plc has arranged bank guarantee facilities with its bankers in connection with the Lloyd's underwriting membership of sponsored Names. It has also provided counter indemnities to its bankers and an assurance company – both of whom have either given guarantees to Lloyd's, or advanced loans to employees in relation to their underwriting membership at Lloyd's. At 31 December 2002, Trenwick UK plc had a contingent liability in respect of these matters which totalled £199,991 (2001: £199,991).

**25. Ultimate Parent Undertaking And Controlling Party**

The ultimate parent undertaking is Trenwick Group Ltd. (in provisional liquidation) incorporated in Hamilton, Bermuda.

A copy of the financial statements of Trenwick Group Ltd. (in provisional liquidation) can be obtained from the Continental Building, 25 Church Street, Hamilton, HM12, Bermuda.