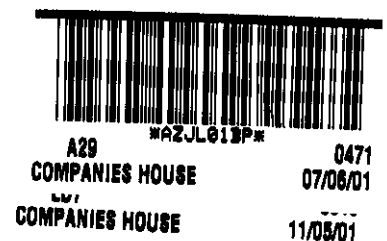


GoshawK Dedicated (No2) Limited

(formerly Testdefine Ltd)

Report and Accounts

31 December 2000



Registered No. 4011388

DIRECTORS

Jeremy G Hill	(appointed 9 June 2000; resigned 22 September 2000)
David S Hooker	(appointed 22 September 2000)
Andrew J Gammell	(appointed 22 September 2000)
Andrew S Fox	(appointed 22 September 2000)

SECRETARY

Andrew S Fox

AUDITORS

Ernst & Young
Rolls House
7 Rolls Buildings
Fetter Lane
London
EC4A 1NH

BANKERS

Bank of Scotland
The Mound
Edinburgh
EH1 1YZ

Fleet National
39 Victoria Street
London
SW1H 0ED

REGISTERED OFFICE

38 St Mary Axe
London
EC3A 8EX

Tel: 020 7621 0777
Fax: 020 7929 7299

DIRECTORS' REPORT

The directors present the inaugural report and accounts for the period from the date of incorporation, 9 June 2000 to the company's accounting reference date, 31 December 2000.

RESULTS AND DIVIDENDS

The results of the period under review show a loss of £30,826 before taxation. The directors recommend that no dividend should be paid.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

GoshawK Dedicated (No2) Limited will commence to trade as a corporate member at Lloyd's solely underwriting on Syndicate 102 for the 2001 year of account onwards.

PARENT COMPANY

The ultimate holding company is GoshawK Insurance Holdings plc.

ISSUE OF SHARES

On the date of incorporation, 9 June 2000, the directors allotted one nil-paid share.

PURCHASE OF CAPACITY IN SYNDICATE 102

On 31 December 2000, GoshawK Dedicated (No2) Limited purchased the whole ongoing capacity of Syndicate 102, a composite syndicate at Lloyd's from its fellow subsidiary, GoshawK Dedicated Limited for a total cost of £9,880,000.

CHANGE OF NAME

On 20 September 2000, a special resolution was passed, changing the company's name from Testdefine Limited to GoshawK Dedicated (No2) Limited.

DIRECTORS AND THEIR INTERESTS

The directors of the company are detailed on the previous page.

None of the directors had any interest in the shares of the company.

A J Gammell and D S Hooker are Directors of GoshawK Insurance Holdings plc and their interests are disclosed in those accounts.

A S Fox's interest in the share capital of GoshawK Dedicated (No2) Limited ultimate parent company, GoshawK Insurance Holdings plc, was as follows:

**At 31 December 2000
Ordinary Shares of 5p**

A S Fox

297,196

INTEREST IN OPTIONS

GoshawK Insurance Holdings plc has an Unapproved Executive Share Option scheme, established in 1996, and an Approved Share Option Plan established in 2000, whereby Group Directors and designated employees are able to subscribe for ordinary shares in that company.

At an Annual General Meeting of that company on 6 June 2000 the Shareholders approved the surrender of the Unapproved Executive Share Option scheme in issue at 31 December 1999 and regranted 75% of those surrendered at the prevailing market value.

The interests of the directors are as follows:

DIRECTORS' REPORT (continued)**UNAPPROVED SCHEME**

	Exercisable	Exercise Price p	At 1 January 2000	Granted during the year	Surrendered during the year	Regranted during the year	At 31 December 2000
A S Fox							
	Nov 1999 to Nov 2003	110.0	100,000	-	100,000	-	-
	Oct 2000 to Oct 2004	113.5	50,000	-	50,000	-	-
	Nov 2001 to Nov 2005	117.0	30,000	-	30,000	-	-
	Nov 2002 to Nov 2006	113.0	30,000	-	30,000	-	-
	June 2003 to June 2007	55.0	-	-	-	157,500	157,500
	Nov 2003 to Nov 2007	90.5	-	5,000	-	-	5,000
							<u>162,500</u>

APPROVED SCHEME

	Exercisable	Exercise Price p	Granted during the year	At 31 December 2000
A S Fox	Nov 2003 to Nov 2010	90.5p	30,000	30,000

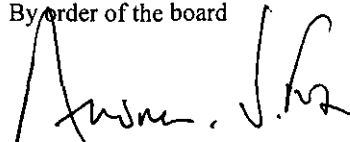
LONG TERM INCENTIVE PLAN

Goshawk Insurance Holdings plc., established a Long Term Incentive Plan in November 1999. Full details of the performance conditions are disclosed in those accounts, together with the interests of D S Hooker and A J Gammell. A S Fox had no interest in the Long Term Incentive Plan.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting. Ernst & Young has stated that, subject to the approval of its partners, it is intending to transfer its business to a limited liability partnership during the year. If this happens, it is the current intention of the directors to use their statutory powers to treat the appointment of Ernst & Young as extending to Ernst & Young LLP.

By order of the board


A S FOX
Secretary

30 April 2001

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

- select suitable accounting policies and 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 accounts; and
- prepare the accounts 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 to enable them to ensure that the accounts 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.

REPORT OF THE AUDITORS

to the members of GoshawK Dedicated (No2) Limited, (formerly Testdefine Limited)

We have audited the accounts on pages 6 to 9, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 2000 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Registered Auditor
London
30 April 2001

PROFIT AND LOSS ACCOUNT
for the period ended 31 December 2000

	Notes	Period ended 31 December 2000 £
TURNOVER		-
Administrative expenses		(30,826)
OPERATING LOSS		<u>(30,826)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(30,826)
Taxation on ordinary activities		-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(30,826)</u>
RETAINED PROFIT BROUGHT FORWARD		-
RETAINED LOSS CARRIED FORWARD		<u><u>(30,826)</u></u>

All amounts above are in respect of continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

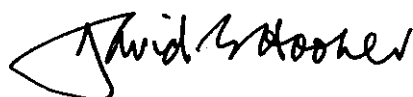
The company had no recognised gains or losses other than the loss for the period.

The notes on pages 8 to 9 form part of these accounts and include details of the basis of preparation in Note 1.

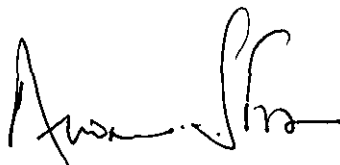
BALANCE SHEET **at 31 December 2000**

	Notes	Period ended 31 December 2000 £
ASSETS		
Intangible Assests	5	9,880,000
CURRENT ASSETS		
Debtors	6	700
		<u>700</u>
CREDITORS: amounts falling due within one year	7	9,911,525
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>(30,825)</u></u>
CAPITAL AND RESERVES		
Called up share capital	8	1
Profit and loss account		(30,826)
SHAREHOLDERS' FUNDS	9	<u><u>(30,825)</u></u>

Director



Director



30 April 2001

The notes on pages 8 to 9 form part of these accounts and include details of the basis of preparation in Note 1.

NOTES TO THE ACCOUNTS at 31 December 2000

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

The Company is dependent on continuing finance being made available by its ultimate parent company to enable it to continue operating and to meet its liabilities as they fall due. The ultimate parent company has provided sufficient funds for these purposes. The directors believe that it is therefore appropriate to prepare these accounts on a going concern basis.

A cash flow statement has not been prepared, as permitted by FRS 1 (Revised), since the company is a wholly owned subsidiary.

Intangible assets

Syndicate participations at Lloyd's acquired from a fellow subsidiary are carried in these accounts at cost less amortisation. In accordance with Technical Release 1/99, Accounting by Lloyd's Corporate Capital Vehicles, issued by the ICAEW, the acquired capacity will be amortised over the useful life. This life is assumed to be 20 years.

In accordance with the Technical Release, acquired capacity will be reviewed for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

2. OPERATING LOSS

This is stated after charging:

Period ended
31 December
2000
£

Auditors' remuneration -audit

Nil

3. DIRECTORS' EMOLUMENTS

None of the directors receive any emoluments in respect of their services as directors of the company.

4. STAFF COSTS

There are no staff employed by the company.

5. INTANGIBLE ASSETS

Syndicate
Participations
£

Cost and Net Book Value:

At 1 January 2000

-

Additions

9,880,000

At 31 December 2000

9,880,000

6. DEBTORS

2000
£

HM Customs and Excise

699

Amounts due from parent undertakings

1

700

NOTES TO THE ACCOUNTS (continued)

at 31 December 2000

7. CREDITORS : amounts falling due within one year

	2000 £
Accruals	5,000
Amounts due to subsidiary undertaking	9,906,525
	<u>9,911,525</u>

8. SHARE CAPITAL

	Authorised 2000 £	Allotted, called up, fully paid 2000 £
Ordinary shares of £1 each	1,000	1

9. RECONCILIATION OF SHAREHOLDERS FUNDS

	Share Capital £	Profit and Loss Account £	Total £
Incorporation of company	1	-	1
Loss for period	-	(30,826)	(30,826)
At 31 December 2000	<u>1</u>	<u>(30,826)</u>	<u>(30,825)</u>

10. PARENT UNDERTAKING AND CONTROLLING PARTY

The company's ultimate parent undertaking and in the directors' opinion the controlling party is Goshawk Insurance Holdings plc., which is incorporated in the United Kingdom. Copies of its group accounts, which include the company, are available from 38 St Mary Axe, London, EC3A 8EX.

11. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption under FRS 8 from disclosing transactions with fellow subsidiaries of the ultimate parent company on the grounds that they are all wholly owned.

12. COVENANT MADE BY ULTIMATE PARENT COMPANY

A fixed and floating charge over the investment portfolio and other cash assets secure the obligation to Lloyd's in respect of the underwriting activities of the corporate member subsidiaries. The total guarantee given by Goshawk Insurance Holdings plc under a deed of covenant amounts to £43,182,985. The guarantee supports all Group corporate members' participations for the 1999 to 2001 years of account. Lloyd's has the right to retain the income on the charged investments although it is not expected to exercise this right. As liability under the deed of covenant is limited to a fixed and monetary amount, the enforcement by Lloyd's of the deed of covenant in the event of a default by a corporate member may, where the total value of investments has fallen below the total of all amounts covenanted, result in the appropriation of a share of the Group's funds at Lloyd's that is greater than the proportion which that corporate member's overall premium bears to the overall premium of the Group. In the event that any corporate member makes a loss which is not satisfied, the Company is obliged to procure that its other members, if required by Lloyd's, stop or reduce underwriting and that any profit in their respective Premiums Trust Funds is paid to the Central Fund to meet the losses of the relevant corporate member.