ASCOT UNDERWRITING LIMITED

NO. 04098461

REPORT & ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2002

Directors' Report for the year ended 31 December 2002

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

Principal activities

Ascot Underwriting Limited is the Managing Agent for Syndicate 1414 at Lloyd's of London. The company is a wholly owned subsidiary of Ascot Underwriting Holdings Limited.

Directors & officers

The current directors are listed below. There were no appointments or resignations during the year.

Director	
The Rt. Hon. Lord Prior P.C.	Non Executive Chairman
Richard David Henry Brindle	Non Executive
Mark James Donald	
David Allen Edward	
Alexander John Ramsay Mackay	
Homi Phiroz Rustom Mullan	Non Executive
Martin Robert Davidson Reith	
John Charles Crichton Slipper	
Andrew Robert Stears	
Martin John Sullivan	Non Executive
Thomas Ralph Tizzio	Non Executive

Review of business and future developments

The Company trades as the Managing Agent of Syndicate 1414 at Lloyd's of London. The capital for the Syndicate is provided exclusively by Ascot Corporate Name Limited.

2002 was the first full year of trading for the Company. The Syndicate that it managed grew substantially during this period, bolstered by the buoyant underwriting conditions experienced throughout the Lloyd's market. Under the terms of the Agency agreement, the Company charged a fixed percentage of the Syndicate's underwriting capacity as an agency fee.

Despite certain start up costs, the Company succeeded in making significant cost savings across numerous business areas. Many of these savings resulted from the Company's use of third-party outsourcing suppliers, enabling it to benefit from economies of scale, depth of experience and flexibility.

The directors are pleased to announce pre-tax profits of £552,177 for 2002 and consequently propose a final dividend of 60p per share.

Should market conditions remain favourable for 2003, the Syndicate may grow to meet the continuing demand for quality underwriting capital within the Lloyd's market. The cost base of the Company is not expected to grow to the same extent as the managed capacity in 2003 and with the significant start-up costs already paid, the directors have reduced the 2003 agency fee to 0.5% of the Syndicate's final 2003 year of account capacity. This represents a reduction from 0.75% that was charged in 2002.

Dividends

The directors propose the payment of a dividend of 60p per share for the year ended 31 December 2002.

Directors' Report for the year (continued)

Statement of directors' responsibilities

The directors are required to prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company will continue in business. Company law requires the directors to prepare financial statements for each financial year, that 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 year.

The directors confirm that suitable accounting policies have been used which are consistent with accounting standards as explained on page 6 under Note 1 "Accounting policies". The directors also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 and that applicable accounting standards have been followed.

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

Auditors

Following the conversion of the Company's auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 29 January 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

On behalf of the Board

M.R.D. Reith
Director

J.C.C. Slipper
Director

26 March 2003

Independent Auditors' report to the Members of Ascot Underwriting Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention, in accordance with the Financial Reporting Standard for Smaller Entities (FRSSE) 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 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 judgments 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 affairs of the company at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

26 March 2003

Profit and Loss Account for the year ended

31 December 2002

	Notes	2002 £	2001 £
Turnover	3	2,017,500	150,000
Administrative expenses		(1,468,453)	(292,492)
Operating profit/(loss)	4	549,047	(142,492)
Interest receivable and similar income	5	15,332	1,596
Interest payable and similar charges		(12,202)	(10,451)
Profit/(loss) on ordinary activities before tax		552,177	(151,347)
Tax on profit on ordinary activities	6	(151,813)	-
Profit/(loss) on ordinary activities after tax		400,364	(151,347)
Ordinary dividends on equity shares	7	(240,000)	-
Retained profit/(loss) for the year		160,364	(151,347)

The profit and loss account has been prepared on the basis that all operations are continuing.

There were no recognised gains or losses during the year other than those shown above.

The notes on pages 6 to 9 form an integral part of these financial statements.

Balance Sheet

31 December 2002

	Notes	2002 £	2002 £	2001 £	2001 £
Current assets					
Debtors	8	3,077		490,189	
Cash at bank and in hand	9	962,737		401,321	
			965,814		891,510
Creditors: Amounts falling due within one year	10		(556,797)		(642,857)
Net assets			409,017		248,653
Capital & reserves					
Share capital	11		400,000		400,000
Profit and loss account			9,017		(151,347)
Shareholders' funds	12		409,017		248,653

The notes on pages 6 to 9 form an integral part of these financial statements.

On behalf of the Board

M Reith.

M.R.D. Reith
Director

J.C.C. Slipper
Director

26 March 2003

Notes to the financial statements

1. Accounting policies

Basis of presentation

These financial statements have been prepared on a going-concern basis, under the historical cost convention, the accounting policies set out below, and in accordance with the special provision relating to small companies within Part VII of the Companies Act 1985 and the Financial Reporting Standard for Smaller Entities (FRSSE). In selecting appropriate accounting policies and the disclosures needed to help users to understand the accounting policies adopted and how they have been applied, consideration has been given to the provisions of FRS 18 *Accounting Policies*.

Turnover

Turnover is recognised during the first year of each underwriting year of account. Its basis of calculation is set out in Note 3 below.

Administrative expenses

All expenses are charged on an incurred basis. The great majority of expenses are recharged from Ascot Underwriting Holdings Limited. A small amount of expenses are paid directly by the Company.

Interest receivable and payable

Interest is recognised in the accounts in the period to which it relates.

Shareholders' dividends

Dividends are accrued in the period to which they relate regardless of when they are declared.

Taxation

Current tax expense is charged or credited to operations based upon amounts payable or recoverable as a result of taxable operations for the current year. Where there are losses in any one year they can be carried back for one year or carried forward indefinitely to be offset against profits arising.

Pension costs

Costs relating to directors' and staff pensions are accounted for in the period that they fall due.

2. Cashflow statement

Under the exemption granted by the FRSSE, the Company has not prepared a cashflow statement as per FRS1 (Revised 1996) for the year ended 31 December 2002.

3. Turnover

Operating income is derived from an agency fee which is charged to the Syndicate. The fee is set at 0.75% (2001 - 0.75%) of the final managed capacity of the Syndicate.

Notes to the financial statements (continued)

4. Operating profit (2001 - loss)

Operating profits (2001 - losses) are stated after charging:

	2002 £	2001 £
Directors' remuneration	218,430	50,858
Staff salaries	288,920	9,632
Legal & professional fees	721,930	117,921
Auditors' remuneration	7,500	5,000

5. Interest receivable and similar income

Interest receivable relates to amounts earned from the Company's business call account and from liquid assets held in AAA-rated money market funds.

6. Taxation

The taxation charge for the year has been calculated based upon the standard rate of UK corporation tax (30%), less appropriate marginal relief. The charge has been further reduced by the effect of trading losses brought forwards from the 2001 financial year. All entertaining expenditure retained by the Company has been disallowed when arriving at profits chargeable to corporation tax.

7. Ordinary dividends on equity shares

For the year ended 31 December 2002, the directors are proposing a dividend of 60p per share (2001 - nil).

8. Debtors

	2002 £	2001 £
Amounts due from managed syndicate	-	150,000
Accrued interest	3,077	275
Prepayments and accrued income	-	339,914
	3,077	490,189

All amounts are due within one year. Amounts due from the Syndicate are unsecured, with no fixed repayment date. Interest will only be charged if deemed necessary.

Notes to the financial statements (continued)

9. Cash at bank and in hand

Cash holdings at the balance sheet date constituted:

	2002	2001
	£	£
Cash at bank	3,984	326
AIM Global Money Market Fund	958,753	-
Treasury deposits	-	400,995
	962,737	401,321

10. Creditors: Amounts falling due within one year

	2002	2001
	£	£
Amounts due to Parent	157,484	620,631
Accruals and deferred income	7,500	22,226
Corporation tax payable	151,813	-
Dividend payable	240,000	-
	556,797	642,857

11. Called up share capital

The issued share capital is wholly owned by the Company's parent, Ascot Underwriting Holdings Limited.

At 31 December 2002 and 31 December 2001	**Authorised**	**Called-up & Fully paid**
	£	£
400,000 ordinary shares of £1 each	400,000	400,000

12. Reconciliation in movement of shareholders' funds

	£
Opening shareholders' funds	248,653
Profit for the year	400,364
Ordinary dividends on equity shares	(240,000)
Closing shareholders' funds	409,017

13. Staff Costs

	2002	2001
	£	£
Wages & salaries	288,920	9,632
Social security costs	28,315	446
Other pension costs	16,038	869
	333,273	10,947

Notes to the financial statements (continued)

14. Directors' remuneration

Aggregate emoluments for the Company directors are as follows:

	2002	2001
	£	£
Directors' emoluments	218,430	50,858
Contributions to company pension	10,592	2,329
	229,022	53,187

No director was paid more than £200,000 by the Company for the year ended 31 December 2002.

15. Operating leases

Annual commitments retained by the Company under operating leases that expire:

	Land and Buildings	
	2002	2001
	£	£
In one to five years	23,050	-
In more than five years	-	23,633

This represents the share of the operating lease costs that are not recharged to Syndicate 1414.

16. Pension costs

The Company operates a defined contribution pension scheme for all employees that have completed a specified length of service or as stipulated by their employment contract. Amounts disclosed in notes 13 and 14 for pension contributions relate to expenditure retained by the Company.

Other than amounts expensed in the profit and loss account and disclosed in notes 13 and 14, the Company has no additional assets or liabilities arising from accounting treatments defined under FRS 17 *Accounting for Retirement Benefits.*

17. Related party transactions

Expenses are recharged to the Company from its parent, Ascot Underwriting Holdings Limited. All amounts due to the parent at the balance sheet date (Note 9) relate to amounts outstanding for this recharged expenditure.

All of the directors of AUHL are also on the Board of its subsidiary, AUL. Mr. M.R.D. Reith, a director of both AUHL and AUL is also the Active Underwriter of Syndicate 1414.

There were no other material related party transactions during the year.