



thinking outside The Box

# **ASCOT UNDERWRITING LIMITED**

**NO. 04098461**

## **REPORT & ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 2004**



**Directors' Report for the year ended 31 December 2004**

The directors present their report and audited financial statements for the year ended 31 December 2004.

**Principal Activities**

Ascot Underwriting Limited is the Managing Agent for Syndicate 1414 at Lloyd's and is a wholly owned subsidiary of Ascot Underwriting Holdings Limited (AUHL). During the year the company established a subsidiary, Ascot Insurance Services Limited, with an overseas branch located in France, whose principal purpose is to act as a service company introducing business to Syndicate 1414.

**Directors and Officers**

The current directors are listed below. There were no appointments or resignations during the year, except where stated otherwise.

**Director**

The Rt. Hon. Lord Prior P.C.	Non Executive Chairman	
Richard David Henry Brindle	Non Executive	
Mark James Donald		
David Allen Edward		
Daniel Scott Glaser	Non Executive	
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	
David Peter Trezies	Non Executive	
Andrew Lewis Brooks		Appointed 24 February 2004

**Charitable Donations**

During the year the company made donations for charitable purposes of £4,200 (2003: £10,000).

**Review of Business and Future Developments**

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

Under the terms of the Agency agreement, the Company charges a fixed percentage of the Syndicate's underwriting capacity as an agency fee, as well as receiving profit commission at a fixed percentage of the profits made by the syndicate.

The directors are pleased to announce pre-tax profits of £18,874,829 for 2004 (2003 - £14,264,291).

For 2004 the final capacity of the managed Syndicate was £370m and this has been increased in 2005 to £410m. For 2004 the Managing Agent's fee was set at 0.4% of Syndicate capacity. This has proved insufficient to cover the expenses incurred by the Agency and thus for 2005 the directors have raised the fee to 0.47% of Syndicate capacity.

**Directors' Report for the year (continued)**

**Dividends**

The directors propose the payment of a dividend of £11,866,607 for the year ended 31 December 2004 (2003 – £1,363,200). The dividend will be payable to shareholders on the register on 7 July 2005.

**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 2004 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**

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and accordingly a resolution to propose their reappointment will be submitted at the annual general meeting.

On behalf of the Board



M.R.D. Reith  
Director



J.C.C. Slipper  
Director

22 March 2005

**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 in accordance with 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.

**Basis of audit opinion**

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state affairs of the company at 31 December 2004 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

22 March 2005

## Profit and Loss Account for the year ended

31 December 2004

	Notes	2004 £	2003 £
Turnover	3	20,922,551	15,206,783
Administrative expenses		(1,986,545)	(977,594)
Operating profit	4	18,936,006	14,229,189
Interest receivable and similar income	5	27,557	37,077
Interest payable and similar charges	6	(88,734)	(1,975)
Profit on ordinary activities before tax		18,874,829	14,264,291
Tax on profit on ordinary activities	7	(5,677,943)	(4,415,979)
Profit on ordinary activities after tax		13,196,886	9,848,312
Ordinary dividends on equity shares	8	(11,866,607)	(1,363,200)
Retained profit for the year		1,330,279	8,485,112

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 11 form an integral part of these financial statements.

**Balance Sheet**  
**31 December 2004**

	Notes	2004 £	2004 £	2003 £	2003 £
<b>Fixed Assets</b>					
Investment in subsidiary	9		1		-
<b>Debtors: Amounts receivable in more than one year</b>			14,980,435		13,080,300
<b>Current assets</b>					
Debtors	10	17,663,772		1,376,638	
Cash at bank and in hand	11	7,197		1,237,840	
		17,670,969		2,614,478	
<b>Creditors: Amounts falling due within one year</b>	12	(20,216,872)		(6,138,548)	
<b>Net current liabilities</b>			(2,545,903)		(3,524,070)
<b>Total assets less current liabilities</b>			12,434,533		9,556,230
<b>Creditors: Amounts falling due after more than one year</b>	13		(1,548,024)		-
<b>Net assets</b>			10,886,509		9,556,230
<b>Capital &amp; reserves</b>					
Share capital	14		400,000		400,000
Profit and loss account			10,486,509		9,156,230
<b>Shareholders' funds</b>	15		10,886,509		9,556,230

The notes on pages 6 to 11 form an integral part of these financial statements.

On behalf of the Board



M.R.D. Reith  
Director



J.C.C. Slipper  
Director

22 March 2005

**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 and in accordance with the accounting policies set out below. 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 Financial Reporting Standard 18 'Accounting Policies'.

The financial statements contain information about Ascot Underwriting Limited as an individual company, and do not contain consolidated financial information as the parent of the group. The company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Ascot Underwriting Holdings Limited, a company registered in England and Wales.

***Turnover***

Turnover from agency fees is recognised during the first year of each underwriting year of account. Turnover from profit commission is recognised when receivable, on closing years and is also recognised when there is reasonable certainty that profit commission will be received on open years.

***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.

***Lease commitments***

The rentals payable under operating leases are charged on a straight line basis to the profit and loss account over the period of the lease.

***Pension costs***

Costs relating to directors' and staff pensions are charged to the profit and loss account for the period that they fall due.

## Notes to the financial statements (continued)

## 2. Cashflow statement

The company is consolidated into the financial statements of Ascot Underwriting Holdings Limited which are publicly available. Consequently the company has taken advantage of the exemption from preparing a cashflow statement under the terms of Financial Reporting Standard 1 (Revised 1996) *Cash Flow Statements*.

## 3. Turnover

Operating income is derived from two sources. Firstly, an agency fee which is charged to the Syndicate. The fee is set at 0.4% (2003 - 0.5%) of the final managed capacity of the Syndicate. Secondly, profit commission is charged at 16.25% (2003 - 16.25%) of the profit of the Syndicate and is recognised as set out in Note 1.

	2004	2003
	£	£
Agency Fee	1,480,002	1,700,000
Profit Commission - closed year 2001 (36 months)	-	426,483
Profit Commission - closed year 2002 (36 : 24 months)	4,462,113	13,080,300
Profit commission - open year 2003 (12 months)	14,980,436	-
	<u>20,922,551</u>	<u>15,206,783</u>

## 4. Operating profit

Operating profit is stated after charging:

	2004	2003
	£	£
Directors' remuneration	299,229	254,143
Staff salaries	576,505	512,910
Legal & professional fees	168,201	114,455
Auditors' remuneration	5,250	2,500
Operating leases	23,572	23,694

Fees paid to PricewaterhouseCoopers LLP for non-audit services were £123,648 (2003: nil).

## 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. Interest payable and similar charges

Interest payable relates to accrued interest payable on loan from parent.

## 7. Taxation

## (a) Analysis of charge in the period

	2004	2003
	£	£
UK corporation tax at 30%		
Current tax on income for the period	5,676,053	4,283,228
Adjustments in respect of prior periods	1,890	132,751
	<u>5,677,943</u>	<u>4,415,979</u>

## Notes to the financial statements (continued)

## (b) Factors affecting tax charge for the period

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

	2004 £	2003 £
Profit on ordinary activities before taxation	18,874,829	14,264,291
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003: 30%)	5,662,449	4,279,287
Expenses not deductible in respect of tax purposes £45,345 x 30% (2003 - £13,137 x 30%)	13,604	3,941
Current tax on income for the period	5,676,053	4,283,228
Adjustments to tax charge in respect of previous periods	1,890	132,751
Current tax charge for the period	5,677,943	4,415,979

## 8. Ordinary dividends on equity shares

For the year ended 31 December 2004, the directors are proposing a dividend of £11,866,607 (2003 - £1,363,200).

## 9. Investment in subsidiary

This represents a 100% holding of the share capital of Ascot Insurance Services Limited, a company incorporated in England and Wales.

## 10. Debtors

	2004 £	2003 £
Recoverable VAT	-	328
Accrued interest	1,359	3,969
Prepayments and accrued income	120,000	1,372,341
Profit commission receivable	17,542,413	-
	17,663,772	1,376,638

All amounts are due within one year.

## 11. Cash at bank and in hand

Cash holdings at the balance sheet date constituted:

	2004 £	2003 £
Cash at bank	4,220	67
AIM Global Money Market Fund	2,977	1,237,773
	7,197	1,237,840

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

**12. Creditors: Amounts falling due within one year**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Amounts due to parent	5,094,220	203,888
Accruals and deferred income	303,770	4,475
Corporation tax payable	2,952,275	4,566,985
Dividend payable	11,866,607	1,363,200
	<u>20,216,872</u>	<u>6,138,548</u>

Loan from parent of £5,094,220 is for an initial period of 12 months from 8 April 2004, but can be repaid or extended subject to the agreement of the two parties. Interest is payable on the loan at an annual rate of 5% (equivalent to the sterling investment return of Syndicate 1414 as stated in the annual report and accounts plus an additional 50 basis points).

**13. Creditors: Amounts falling due after more than one year**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Amounts due to parent	<u>1,548,024</u>	<u>-</u>

**14. Called up share capital**

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

<b>At 31 December 2004 and 31 December 2003</b>	<b>Authorised</b>	<b>Called-up &amp; Fully paid</b>
	<b>£</b>	<b>£</b>
400,000 ordinary shares of £1 each	400,000	400,000

**15. Reconciliation in movement of shareholders' funds**

	<b>£</b>
Opening shareholders' funds	9,556,230
Profit for the year	13,196,886
Ordinary dividends on equity shares	(11,866,607)
Closing shareholders' funds	<u>10,886,509</u>

**16. Reserves**

	<b>2004</b>
	<b>£</b>
Opening balance as at 1 January	9,156,230
Retained profit	1,330,279
Closing balance as at 31 December	<u>10,486,509</u>

Notes to the financial statements (continued)

17. Staff Costs and numbers

	2004	2003
	£	£
Wages & salaries	576,505	512,910
Social security costs	91,305	61,681
Other pension costs	28,378	17,549
	<u>696,188</u>	<u>592,140</u>

Average number of employees by category:

	2004	2003
	No.	No.
Administration	6	5
Claims	1	1
Executive Management	1	1
Finance	3	3
Operations and IT	16	10
Underwriting	27	17
	<u>54</u>	<u>37</u>

18. Directors' remuneration

Aggregate emoluments for the company directors are as follows:

	2004	2003
	£	£
Directors' emoluments	299,229	254,143
Contributions to company pension	13,822	8,835
	<u>313,051</u>	<u>262,978</u>

No director was paid more than £200,000 directly by the company for the year ended 31 December 2004.

19. Operating leases

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

	Land and Buildings	
	2004	2003
	£	£
In one year	-	-
In two to five years	23,572	23,694
In more than five years	-	-

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

## Notes to the financial statements (continued)

**20. 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 17 and 18 for pension contributions relate to expenditure retained by the company.

Other than amounts expensed in the profit and loss account and disclosed in notes 17 and 18, the company has no additional assets or liabilities arising from accounting treatments defined under Financial Reporting Standard 17 *Accounting for Retirement Benefits*.

	2004	2003
	£	£
Charge for the period	28,378	17,549

**21. Related party transactions**

Expenses are recharged to the company from its parent, Ascot Underwriting Holdings Limited. The amounts due to the parent at the balance sheet date (note 12 and 13) relate to amounts outstanding for this recharged expenditure and also a loan made by the parent in order for Ascot Underwriting Limited to meet corporation tax liabilities.

All of the directors of Ascot Underwriting Holdings Limited are also on the Board of Ascot Underwriting Limited (a subsidiary). In addition, the following directors are also on the Board of Ascot Insurance Services Limited (a subsidiary);

John Charles Crichton Slipper  
Martin Robert Davidson Reith  
Andrew Robert Stears

Mr M R D Reith, a director of both Ascot Underwriting Holdings Limited and Ascot Underwriting Limited is also the Active Underwriter of Syndicate 1414.

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

**22. Ultimate parent undertaking**

The ultimate parent undertaking and controlling party is Ascot Underwriting Holdings Limited. Copies of Ascot Underwriting Holdings Limited consolidated financial statements can be obtained from Ascot Underwriting Limited, 5<sup>th</sup> Floor, 1 Whittington Avenue, London EC3V 1LE.