

CHARIOT (II) UNDERWRITING PLC
(Company Registration Number 3406789)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998



CHARIOT (II) UNDERWRITING PLC

DIRECTORS	S L Tanner (Chairman) M L E Dowlen P St C Proctor A W Tucker G J White
COMPANY SECRETARY	J S Moffatt
REGISTERED OFFICE	One Whittington Avenue London EC3V 1LE
SPONSOR, LLOYD'S SPONSOR AND INVESTMENT MANAGER	Hodgson Martin Limited 36 George Street Edinburgh EH2 2LE
MEMBER'S AGENT	Amlin Private Capital Limited One Whittington Avenue London EC3V 1LE
AUDITORS	Humphrey & Co 8-9 The Avenue Eastbourne East Sussex BN21 3YA
SOLICITORS	Eversheds Senator House 85 Queen Victoria Street London EC4V 4JL
BANKERS	Coutts & Co Robarts' Office 15 Lombard Street London EC3V 9AU

CHARIOT (II) UNDERWRITING PLC

UNDERWRITING SUMMARY 1997 - 1999

Syndicate Number	Class	Underwriter	Managing Agency	Total Syndicate Allocated Capacity		Chariot (II) Underwriting PLC	
				1998	1999	1998	1999
33	Composite	Childs	Hiscox Syndicates Ltd	359,552,000	360,353,000	94,571	94,571
45	Non-Marine	Rudden	Bankside Syndicates Ltd	28,540,000	28,770,000	74,512	74,512
51	Non-Marine	Taylor	Wellington Underwriting Agencies Ltd	207,923,000	-	24,595	-
79	Composite	Youell	Janson Green Ltd	199,861,000	200,203,000	102,364	102,364
138	Non-Marine	Bailey	R.F. Bailey (Underwriting Agencies) Ltd	72,068,000	72,236,000	29,157	49,157
218	Motor	Heath	Christopherson Heath Ltd	228,822,000	240,805,000	75,553	79,527
219	Non-Marine	Finn	ACE London Underwriting Ltd	125,005,000	219,996,000	46,296	46,551
318	Non-Marine	Pritchard	Bankside Syndicates Ltd	37,090,000	53,870,000	65,999	82,300
340	Aviation	Tilling	St Paul Syndicate Management Ltd	93,179,000	100,043,317	28,269	24,775
386	Non-Marine	Wallace	Janson Green Ltd	125,005,000	125,307,000	48,547	48,547
435	Non-Marine	Mann	DP Mann Ltd	233,696,000	234,025,409	17,691	17,691
456	Non-Marine	Battle	Bankside Syndicates Ltd	20,749,000	20,780,000	27,087	27,087
510	Composite	Rendall	R. J. Kiln & Co. Limited	264,298,000	231,690,000	39,281	34,371
566	Composite	Hamblyn	Bankside Syndicates Ltd	134,140,000	147,770,000	88,521	97,373
570	Non-Marine	Marsh	Atrium Cockell Underwriting Ltd	50,258,000	50,300,000	13,066	13,066
587	Motor	Brick	Chaucer Syndicates Ltd	84,696,000	91,215,000	91,542	98,334
623	Non-Marine	Beazley	Beazley Furlonge Limited	94,690,000	95,000,000	21,811	21,811
672	Composite	Agnew	Wellington Underwriting Agencies Ltd	262,145,000	-	53,370	-
861	Composite	Brockbank	Brockbank Syndicate Management Ltd	228,823,339	195,743,190	64,000	64,000
925	Aviation	Hudson	ACE London Aviation Ltd	31,008,000	-	6,727	-
947	Non-Marine	Simmonds	Chartwell Managing Agents Ltd	52,172,000	47,113,000	13,050	36,745
958	Non-Marine	Robinson	Omega Underwriting Agents Ltd	50,970,422	51,050,000	20,881	40,881
960	Aviation	Williams	ACE London Aviation Ltd	125,916,000	157,500,000	49,861	39,494
980	Motor	Neal	Bankside Syndicates Ltd	34,150,000	42,820,000	38,409	48,011
990	Non-Marine	Cox	Denham Syndicate Management Ltd	66,520,000	66,694,000	13,466	33,466
1028	Composite	Dumas	Wellington Underwriting Agencies Ltd	80,027,000	-	23,746	-
1036	Marine	Copping	Bankside Syndicates Ltd	70,240,000	60,510,000	90,876	78,154
1156	Non-Marine	Murphy	Bankside Syndicates Ltd	65,590,000	65,730,000	54,104	54,104
1173	Non-Marine	Cottrell	Cottrell and Maguire Ltd	81,883,874	88,400,000	50,000	65,000
2001	Composite	Keeling	Amlin Underwriting Ltd	528,700,000	454,000,000	102,065	87,470
2020	Composite	Wellington	Wellington Underwriting Agencies Ltd	-	400,004,000	-	76,822
31 Syndicates				4,037,717,635	3,901,927,916	1,469,417	1,536,184

CHARIOT (II) UNDERWRITING PLC

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 1998

The directors present their annual report together with the audited financial statements for the year ended 31 December 1998.

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 as at the end of the financial period and of the profit or loss of the company for that period.

In preparing these financial statements, 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;
- Prepare the financial statements on a going concern basis unless it is inappropriate to assume 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 financial statements 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.

ACTIVITIES AND BUSINESS REVIEW

The company's principal activity is to participate in underwriting at Lloyd's on a limited liability basis.

RESULTS AND DIVIDENDS

The loss for the period after taxation was £16,648. The directors do not recommend the payment of a dividend.

CHARIOT (II) UNDERWRITING PLC

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 1998
(CONTINUED)

DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY

The directors who held office during the period and their interests in the ordinary share capital of the parent company, Chariot Incorporated PLC, as at 31 December 1998 were as follows:

	<i>At 31 December 1998</i>	<i>At 1 January 1998</i>
M L E Dowlen	8,002	8,002
P St C Proctor	5,000	5,000
S L Tanner	25,000	10,000
A W Tucker	-	-
G J White	5,002	15,002

No director had any beneficial interest in the loan stock of the parent company during the year.

No director had any beneficial interest in the share capital of the company during the year.

There have been no changes in the interests set out above between 31 December 1998 and the date of this report.

YEAR 2000 ISSUE

The directors have taken steps to minimise the company's exposure to Year 2000 related computer problems. This has included obtaining written confirmation from external suppliers that their systems are millennium compliant.

However, in view of the increasing dependence on computers and microprocessors in all walks of life, the directors cannot be absolutely certain that there will be no disruption at the time of the millennium or shortly thereafter due to electronic date recognition issues beyond their direct control.

Underwriting exposures to the millennium issue remain broad and complex. Such exposures are specifically reviewed by underwriters in assessing reserving levels in syndicate accounts. The directors have therefore relied upon syndicates to provide adequate reserves against millennium exposures.

AUDITORS

Messrs. Humphrey & Co, having signified their willingness to continue in office, will be proposed for re-appointment in accordance with section 386 of the Companies Act 1985.

Approved by the board on 11 May 1999 and signed on its behalf by:



J S Moffatt – Company Secretary

AUDITORS' REPORT TO THE SHAREHOLDERS

OF CHARIOT (II) UNDERWRITING PLC

We have audited the financial statements on pages 6 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 to 11.

Respective Responsibilities of Directors and Auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

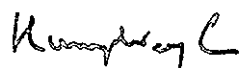
Basis of Opinion

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 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 mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.



HUMPHREY & CO
Chartered Accountants &
Registered Auditors
8/9 The Avenue
EASTBOURNE

Dated: 11 May 1999

CHARIOT (II) UNDERWRITING PLC
UNDERWRITING ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1998

		Year ended 31/12/98	Period ended 31/12/97
	Notes	£	£
Earned premiums, net of reinsurance			
Gross premiums written	2	1,165,023	-
Outward reinsurance premiums	2	<u>(276,218)</u>	<u>-</u>
Net written premiums		888,805	-
Investment income		5,937	-
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	2	(130,892)	-
Reinsurers' share	2	39,135	-
Change in provision for claims			
Gross amount	2	(643,720)	-
Reinsurers' share	2	<u>137,881</u>	<u>-</u>
Claims incurred		(597,596)	-
Operating expenses	2	(296,758)	-
Investment expenses and charges		<u>(388)</u>	<u>-</u>
Balance on Underwriting Account		<u>-</u>	<u>-</u>

The underwriting account is the technical account: general business of the company.

The accompanying notes are an integral part of these financial statements.

CHARIOT (II) UNDERWRITING PLC
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1998

		Year ended 31/12/98	Period ended 31/12/97
	Notes	£	£
Balance on Underwriting Account		-	-
Investment income	3	<u>9,322</u>	<u>1,214</u>
Total income		9,322	1,214
Operating expenses		<u>(25,970)</u>	<u>(5,185)</u>
Loss on ordinary activities before taxation		(16,648)	(3,971)
Tax on loss on ordinary activities		<u>-</u>	<u>-</u>
Loss for the year		<u>(16,648)</u>	<u>(3,971)</u>

The accompanying notes are an integral part of these financial statements.

No operations were discontinued in the year.

All recognised gains and losses have been dealt with through the profit and loss account.

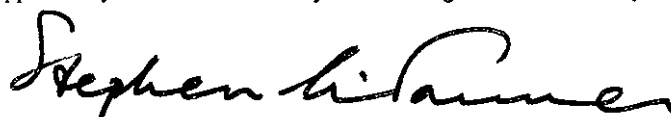
CHARIOT (II) UNDERWRITING PLC

BALANCE SHEET

AS AT 31 DECEMBER 1998

	Notes	31 December 1998			31 December 1997		
		Corporate £	Syndicate Participations £	Total £	Corporate £	Syndicate Participations £	Total £
Assets							
Fixed asset investments	8	156,000	147,908	303,908	122,500	-	122,500
Reinsurers share of technical provisions		-	128,664	128,664	-	-	-
Debtors: amounts falling due within one year							
Arising out of direct insurance operations		-	310,633	310,633	-	-	-
Arising out of reinsurance operations		-	100,835	100,835	-	-	-
Other debtors	9	8,681	10,788	19,469	1,214	-	1,214
		<u>164,681</u>	<u>698,828</u>	<u>863,509</u>	<u>123,714</u>	<u>-</u>	<u>123,714</u>
Intangible Assets	10	62,864	-	62,864	59,466	-	59,466
Cash at bank and in hand		5,628	36,589	42,217	-	-	-
Other assets		-	13,143	13,143	-	-	-
TOTAL ASSETS		233,173	748,560	981,733	183,180	-	183,180
Liabilities and Shareholders' Funds							
Capital and Reserves							
Called up share capital	11	50,000	-	50,000	50,000	-	50,000
Revenue reserves	12	(20,619)	-	(20,619)	(3,971)	-	(3,971)
Total Shareholders' Funds	13	29,381	-	29,381	46,029	-	46,029
Technical provisions		-	625,649	625,649	-	-	-
Creditors: amounts falling due within one year							
Arising from direct insurance operations		-	43,994	43,994	-	-	-
Arising from reinsurance operations		-	49,095	49,095	-	-	-
Other creditors		-	24,993	24,993	-	-	-
Accruals and deferred income		21,794	4,829	26,623	5,185	-	5,185
Creditors: amounts falling due after one year							
Amounts due to parent and fellow subsidiary undertakings		181,998	-	181,998	131,966	-	131,966
Other creditors		-	-	-	-	-	-
TOTAL LIABILITIES		233,173	748,560	981,733	183,180	-	183,180

Approved by the Board on 11-May 1999 and signed on its behalf by:



S L Tanner - Chairman

The accompanying notes form an integral part of these financial statements.

CHARIOT (II) UNDERWRITING PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998

1. Accounting Policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below.

The accounts are prepared in accordance with applicable accounting standards.

a) Basis of Preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards in the UK. The basis of presentation complies with the provisions of section 255 and Schedule 9A of the Companies Act 1985. As a consequence, the accounts include statements of the transactions, assets and liabilities of the syndicates on which the company participates as a corporate member of Lloyd's.

The syndicates in which the company participates are managed and controlled by their respective managing agents. The accounting information in respect of these participations has been provided by the managing agents through an information exchange facility operated by Lloyd's and has been audited by the syndicate auditors.

b) Basis of Accounting for Underwriting Business

The underwriting account has been prepared by aggregating the company's share of the underwriting transactions (premiums, claims, expenses and investment income) of the Lloyd's syndicates of which the company is a member.

The underwriting information for the 1998 calendar year comprises the first year of the 1998 underwriting account of the syndicates of which the company is a member.

The technical account for the syndicates has been prepared on a three year funded basis. The excess of premiums written and syndicate investment income over the claims and syndicate expenses paid in respect of business commencing in an underwriting year is carried forward for two years in a fund and no profit is recognised until the end of the third year following the start of each underwriting year.

For the open syndicate underwriting years of account provision is made for any estimated material losses from the syndicate participations. While the directors make every effort to ensure that adequate provision is made for material losses on open years of account, their view of the ultimate loss may vary in later years as a result of subsequent information and events. This in turn may require adjustment of the original provision.

Gross premiums written are stated before deduction of commission.

CHARIOT (II) UNDERWRITING PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998
(CONTINUED)

b) Basis of Accounting for Underwriting Business (continued)

The columns in the balance sheet headed 'syndicate participations' represent the company's share of the assets and liabilities of the syndicates in which it participated for the 1998 year of account at 31 December 1998. Syndicate liabilities include in addition the provisions for losses made in respect of open years of account, based on information available to the company at the time of drawing up these accounts.

Expenses incurred in relation to underwriting on the 1998 year of account have been carried forward on the balance sheet until underwriting information relating to that year of account is available to be included in the underwriting account.

Syndicate assets, liabilities, income and expenditure expressed in US dollars and Canadian dollars are translated at rates of exchange ruling at 31 December. Underwriting transactions in other foreign currencies are included in the accounts at historical rates. All differences on the translation of foreign currency amounts in the syndicates are dealt with in the underwriting account.

c) Investments

Syndicate investment values are collated from the syndicate returns which have been audited by the syndicate auditors.

d) Intangible Assets

Intangible assets comprise the cost of syndicate participations purchased in the Lloyd's syndicate capacity auctions. These assets are written off over their estimated useful lives unless prices established in auctions in the years following their purchase lead the company to make a more substantial provision against this cost, or the relevant capacity is sold, in which case the amortised or adjusted cost is set against the sale proceeds.

CHARIOT (II) UNDERWRITING PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998
(CONTINUED)

e) Income

Syndicate investment income is accounted for on a receivable basis, including, where appropriate, the imputed tax credit. Interest income is accrued up to the relevant 31 December.

Syndicate investments and cash are held on a pooled basis, the return from which is allocated to underwriting years proportionately to the funds contributed by the year. Investment income and all investment gains and losses relating to syndicate investments and cash are dealt with through the technical account.

f) Expenses

All expenses are accounted for on the accruals basis. Syndicate operating expenses are allocated to the year of account for which they are incurred. Personal expenses of open years are included in debtors.

g) Taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability will crystallise.

CHARIOT (II) UNDERWRITING PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1998 **(CONTINUED)**

2. Segmental Information

The following business has all been underwritten in the Lloyd's insurance market, which has been treated as one geographical segment and class of business for the purpose of Statement of Standard Accounting Practice No. 25: 'Segmental Reporting'. Segmental information in the format required by the Companies Act 1985, so far as it is available, is as follows:

Year Ended 31 December 1998	Gross Premiums Written £	Gross Claims Incurred £	Gross Operating Expenses £	Reinsurance Balance £
Direct business				
Accident and health	40,303	(24,096)	(11,622)	(4,468)
Motor – third party liability	26,420	(16,540)	(5,356)	(3,453)
Motor – other classes	211,738	(142,960)	(45,785)	(16,751)
Marine, aviation and transport	130,420	(84,485)	(29,775)	(16,656)
Fire and other damage to property	176,759	(108,039)	(46,649)	(15,779)
Third party liability	317,867	(200,051)	(67,153)	(38,285)
Credit and suretyship	13,676	(8,775)	(2,801)	(1,086)
Legal expenses	4,252	(737)	(993)	(1,177)
Assistance	370	(165)	(101)	(82)
Other	27,711	(15,196)	(7,429)	(2,896)
Total direct	949,516	(601,044)	(217,664)	(100,633)
Reinsurance business				
Other reinsurance acceptances	215,507	(173,567)	(38,759)	1,431
Reinsurance to close	-	-	-	-
Total reinsurance	215,507	(173,567)	(38,759)	1,431
Total	1,165,023	(774,611)	(256,423)	(99,202)

Reconciliation of Reinsurance Balance to Underwriting Account

Outward reinsurance premiums	(276,218)
Less: Reinsurers' share of claims paid	39,135
Reinsurers' share of change in provision for claims	137,881
	<u>(99,202)</u>

CHARIOT (II) UNDERWRITING PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998
(CONTINUED)

3 Investment Income (other than syndicate investment income)

	1998 £	1997 £
Interest on cash balances at Lloyd's	<u>9,322</u>	<u>1,214</u>

4 Other Expenses

(i) The following amounts are included within the statement of total return:

	1998	1997
Continuing activities		
	£	£
Staff costs (Note 5)	2,679	-
Auditors' remuneration for audit services	4,012	411
Auditors' remuneration for other services	<u>1,037</u>	<u>-</u>

(ii) The following amounts are included within net operating expenses in the underwriting account:

	£	£
Brokerage	209,711	-
Syndicate operating expenses	(149)	-
Foreign exchange losses	<u>46,861</u>	<u>-</u>
	<u>256,423</u>	<u>-</u>

CHARIOT (II) UNDERWRITING PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998
(CONTINUED)

5 Staff Costs

	1998	1997
	£	£
Wages and salaries	2,562	-
Social security costs	<u>117</u>	<u>-</u>
	<u>2,679</u>	<u>-</u>

The average weekly number of employees (including directors) of the company during the year was:

	1998	1997
Management	<u>5</u>	<u>5</u>

6 Directors Remuneration

	1998	1997
	£	£
Directors' emoluments (all in respect of management services)	<u>2,562</u>	<u>-</u>

7 Tax on Loss on Ordinary Activities

No liability to corporation tax arises as a result of the loss incurred during the period.

There is a potential deferred tax asset of £3,329 (1997 - £794) arising from the trading loss incurred during the period. In the opinion of the directors it would not be prudent to recognise this future tax relief as an asset.

CHARIOT (II) UNDERWRITING PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998
(CONTINUED)

8 Fixed Asset Investments

(i) Company

	1998 £	1997 £
Cash balances held as Funds at Lloyd's	<u>156,000</u>	<u>122,500</u>

(ii) Syndicate participations

	1998 £	1997 £
Shares and other variable yield securities	1,725	-
Debt securities and other fixed interest securities	119,179	-
Participation in investment pools	5,156	-
Deposits with credit institutions	21,746	-
Deposits with ceding undertakings	29	-
Other	73	-
	<u>147,908</u>	<u>-</u>

9 Debtors: amounts falling due within one year (excluding syndicate participations)

Other Debtors	1998 £	1997 £
Prepayments and accrued income	<u>8,681</u>	<u>1,214</u>

10 Intangible Assets

Intangible assets comprise costs incurred acquiring additional capacity through the Lloyd's auction process. These assets will be amortised over their estimated useful lives commencing within the year when the relevant underwriting results are recognised in the revenue account.

CHARIOT (II) UNDERWRITING PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1998
(CONTINUED)

11 Called up share capital

	1998 £	1997 £
Authorised		
Ordinary shares of £1 each	<u>20,000,000</u>	<u>20,000,000</u>
Allotted, issued and fully paid		
Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

12 Revenue Reserve

	1998 £	1997 £
Loss for the period	(16,648)	(3,971)
Balance brought forward	<u>(3,971)</u>	<u>-</u>
Balance carried forward	<u>(20,619)</u>	<u>(3,971)</u>

13 Reconciliation of Movements in Shareholders' Funds

	1998 £	1997 £
Loss for the financial period	(16,648)	(3,971)
New share capital subscribed	-	50,000
Net movement in shareholders' funds	<u>(16,648)</u>	<u>46,029</u>
Opening shareholders' funds	<u>46,029</u>	<u>-</u>
Closing shareholders' funds	<u>29,381</u>	<u>46,029</u>

14 Capital Commitments and Operating Leases

There were no capital commitments or commitments in respect of operating leases at the period end.

15 Ultimate Holding Company

At the period end the company's ultimate holding company was Chariot Incorporated PLC. Copies of Chariot Incorporated PLC's consolidated accounts can be obtained from the following address:

One Whittington Avenue
London
EC3V 1LE