

CHARIOT (II) UNDERWRITING PLC

(Company Registration Number 3406789)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004



CHARIOT (II) UNDERWRITING PLC

DIRECTORS

S L Tanner (Chairman)
M L E Dowlen
A W Tucker
G J White

COMPANY SECRETARY

Argenta Secretariat Limited

REGISTERED OFFICE

8-9 The Avenue
Eastbourne
East Sussex BN21 3YA

LLOYD'S SPONSOR

Humphrey & Co
8-9 The Avenue
Eastbourne
East Sussex BN21 3YA

MEMBER'S AGENT

Argenta Private Capital Limited
Fountain House
130 Fenchurch Street
LONDON EC3M 5DJ

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
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2004

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

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 profit for the year after taxation was £27,637 (2003 loss £28,392). The directors do not recommend the payment of a dividend.

CHARIOT (II) UNDERWRITING PLC

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2004
(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 2004 were as follows:

	<i>At 31 December 2004</i>	<i>At 1 January 2004</i>
M L E Dowlen	8,002	8,002
S L Tanner	25,000	25,000
A W Tucker	-	-
G J White	5,002	5,002

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

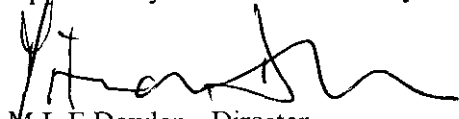
No director had any beneficial interest in the share capital of the company during the year.

There have been no changes in the interests set out above between 31 December 2004 and the date of this report.

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 10 May 2005 and signed on its behalf by:



M L E Dowlen - Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CHARIOT (II) UNDERWRITING PLC

We have audited the financial statements of Chariot (II) Underwriting PLC on pages 5 to 17 for the year ended 31 December 2004. These financial statements have been prepared under the historical cost convention and the accounting policies set out herein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 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.

Fundamental Uncertainty

In forming our opinion, we have considered the adequacy of the disclosures in note 16 to the financial statements concerning the material exposure that the company faces relating to the losses relating to the 11 September 2001 terrorist attacks in the United States of America. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

8/9 The Avenue
Eastbourne

Dated: 10 May 2005



HUMPHREY & CO
Chartered Accountants &
Registered Auditors

CHARIOT (II) UNDERWRITING PLC
UNDERWRITING ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004

		Year Ended		Year Ended	
		31/12/04		31/12/03	
	Notes	£	£	£	£
Written premiums, net of reinsurance					
Gross premiums written	2	422,792		279,504	
Outward reinsurance premiums	2	<u>(48,188)</u>		<u>(41,748)</u>	
Net written premiums			374,604		237,756
Investment income			17,918		45,230
Claims incurred, net of reinsurance					
Claims paid					
Gross amount	2	(301,134)		(662,188)	
Reinsurers' share	2	112,447		271,478	
Change in provision for claims					
Gross amount	2	(16,772)		531,150	
Reinsurers' share	2	<u>(22,240)</u>		<u>(243,301)</u>	
Claims incurred			(227,699)		(102,861)
Operating expenses	2		(125,122)		(179,931)
Investment expenses and charges			<u>(482)</u>		<u>(1,358)</u>
Balance on Underwriting Account			<u>39,219</u>		<u>(1,164)</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 2004

		Year ended 31/12/04	Year ended 31/12/03
	Notes	£	£
Balance on Underwriting Account		39,219	(1,164)
Investment income	3	8,580	12,818
Profit on Disposal of Syndicate Capacity		-	-
Operating expenses		<u>(20,162)</u>	<u>(40,046)</u>
Profit/(Loss) on ordinary activities before taxation		27,637	(28,392)
Tax on Profit/(Loss) on ordinary activities		<u>-</u>	<u>-</u>
Profit/(Loss) for the year		<u>27,637</u>	<u>(28,392)</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.

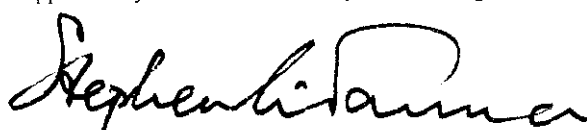

CHARIOT (II) UNDERWRITING PLC

BALANCE SHEET

AS AT 31 DECEMBER 2004

	Notes	31 December 2004			31 December 2003		
		Corporate £	Syndicate Participations £	Total £	Corporate £	Syndicate Participations £	Total £
Assets							
Fixed asset investments	8	189,304	463,722	653,026	306,438	991,740	1,298,178
Reinsurers share of technical provisions		-	385,036	385,036	-	943,270	943,270
Debtors: amounts falling due within one year							
Arising out of direct insurance operations		7,184	94,260	101,444	-	89,406	89,406
Arising out of reinsurance operations		-	168,291	168,291	-	253,922	253,922
Other debtors	9	3,769	23,775	27,544	8,895	81,669	90,564
		<u>200,257</u>	<u>1,135,084</u>	<u>1,335,341</u>	<u>315,333</u>	<u>2,360,007</u>	<u>2,675,340</u>
Intangible Assets	10	305	-	305	305	-	305
Cash at bank and in hand		-	99,900	99,900	-	92,235	92,235
Other assets			45,605	45,605	-	121,898	121,898
TOTAL ASSETS		<u>200,562</u>	<u>1,280,589</u>	<u>1,481,151</u>	<u>315,638</u>	<u>2,574,140</u>	<u>2,889,778</u>
Liabilities and Shareholders' Funds							
Capital and Reserves							
Called up share capital	11	50,000	-	50,000	50,000	-	50,000
Revenue reserves	12	(688,402)	-	(688,402)	(716,039)	-	(716,039)
Total Shareholders' Funds	13	<u>(638,402)</u>	<u>-</u>	<u>(638,402)</u>	<u>(666,039)</u>	<u>-</u>	<u>(666,039)</u>
Technical provisions		-	1,214,031	1,214,031	-	2,397,447	2,397,447
Provision for other risks and charges							
Losses on open years of account		24,038	-	24,038	55,599	-	55,599
Creditors: amounts falling due within one year							
Arising from direct insurance operations		20,406	7,583	27,989	18,882	24,569	43,451
Arising from reinsurance operations		-	20,387	20,387	-	58,303	58,303
Other creditors		19,188	33,785	52,973	-	91,825	91,825
Accruals and deferred income		6,980	4,803	11,783	7,957	1,996	9,953
Creditors: amounts falling due after one year							
Amounts due to parent and fellow subsidiary undertakings		<u>768,352</u>	<u>-</u>	<u>768,352</u>	<u>899,239</u>	<u>-</u>	<u>899,239</u>
TOTAL LIABILITIES		<u>200,562</u>	<u>1,280,589</u>	<u>1,481,151</u>	<u>315,638</u>	<u>2,574,140</u>	<u>2,889,778</u>

Approved by the Board on 10 May 2005 and signed on its behalf by:

S L Tanner – Chairman

M L E Dowlen – Director

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 2004

1. Accounting Policies

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

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.

The company satisfied the latest Lloyd's solvency test and cash flow projections have been prepared for the next 12 months that indicate that the group will be able to meet its liabilities as they fall due for the foreseeable future. Accordingly these financial statements have been prepared on a going concern basis.

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 2004 calendar year comprises the first year of the 2004 underwriting account, the second year of the 2003 underwriting account and the third year of the 2002 underwriting account of the syndicates of which the company is a member. The comparative figures comprise the first year of the 2003 underwriting account, the second year of the 2002 underwriting account and the third year of the 2001 underwriting account.

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.

CHARIOT (II) UNDERWRITING PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004
(CONTINUED)

b) Basis of Accounting for Underwriting Business (continued)

At the end of the third year, the underwriting account is normally closed by reinsurance into the following year of account. The amount of the reinsurance to close premium payable is determined by the managing agent, generally by estimating the cost of claims notified but not settled by 31 December together with the estimated cost of claims incurred but not reported at that date and claims handling costs. Any subsequent variation in the ultimate liabilities of the closed year of account is borne by the underwriting year into which it is reinsured.

The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring syndicate was unable to meet its obligations, and other elements of the Lloyd's chain of security were to fail, then the closed underwriting account would have to settle the outstanding claims.

The Directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote and consequently the reinsurance to close has been deemed to settle liabilities outstanding at the closure of an underwriting account. The company has included its share of the reinsurance to close premiums payable as technical provisions at the end of the current year, and no further provision is made for any potential variation in the ultimate liability of that year of account.

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.

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 2002, 2003 and 2004 years of account at 31 December 2004 with comparative figures at 31 December 2003 relating to the syndicate participations for the 2001, 2002 and 2003 years of account.

Personal expenses incurred in relation to underwriting on open years of account are charged as incurred to the technical account where material losses are expected for those open years. Where losses are not expected for open years the expenses incurred in relation to those open years are 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.

CHARIOT (II) UNDERWRITING PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004
(CONTINUED)

c) Investments

Corporate investments held as fixed assets are stated in the balance sheet at market value.

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 beginning in the third year after the relevant underwriting year commences 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.

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 carried forward on the balance sheet except where material losses are forecast on open years of account in which case they are written off to the technical account.

g) Taxation

Provision is made in full for all material deferred taxation in respect of timing differences that have originated but not reversed by the balance sheet date, except for timing differences arising on revaluations of fixed assets which are not intended to be sold and gains on disposals of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

CHARIOT (II) UNDERWRITING PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004 **(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 2004	Gross Premiums Written £	Gross Claims Incurred £	Gross Operating Expenses £	Reinsurance Balance £
Direct business				
Accident and health	4,372	14,043	(6,034)	64,157
Motor – third party liability	2,126	647	(660)	9,839
Motor – other classes	117,419	(68,186)	(38,712)	57,540
Marine, aviation and transport	8,101	(10,102)	(2,594)	(10,405)
Fire and other damage to property	82,948	63,173	(32,324)	586,147
Third party liability	67,371	(183,343)	(24,518)	(667,837)
Credit and suretyship	882	(559)	(781)	(8,118)
Legal expenses	108	184	(89)	800
Assistance	(4)	(39)	(27)	(424)
Other	3,920	(658)	(2,047)	(385)
Total direct	287,243	(184,840)	(107,786)	31,314
Reinsurance business				
Other reinsurance acceptances	51,588	(15,055)	(17,336)	9,611
Reinsurance to close	83,961	(118,011)	-	1,094
Total reinsurance	135,549	(133,066)	(17,336)	10,705
Total	422,792	(317,906)	(125,122)	42,019

Reconciliation of Reinsurance Balance to Underwriting Account

Outward reinsurance premiums	(48,188)
Less: Reinsurers' share of claims paid	112,447
Reinsurers' share of change in provision for claims	(22,240)
	<u>42,019</u>

CHARIOT (II) UNDERWRITING PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004
(CONTINUED)

2. Segmental Information (continued)

Year Ended 31 December 2003	Gross Premiums Written £	Gross Claims Incurred £	Gross Operating Expenses £	Reinsurance Balance £
Direct business				
Accident and health	5,571	(5,138)	(8,894)	(9,058)
Motor – third party liability	5,690	(3,008)	(1,758)	1,140
Motor – other classes	105,743	(41,293)	(33,718)	(7,555)
Marine, aviation and transport	17,033	53,557	(19,008)	(66,136)
Fire and other damage to property	60,364	58,818	(36,706)	(123,598)
Third party liability	7,805	(57,262)	(31,178)	96,497
Credit and suretyship	1,477	(1,607)	(2,836)	(17,457)
Legal expenses	700	147	(463)	81
Assistance	28	(111)	(61)	151
Other	(3,306)	9,320	(1,011)	(10,759)
Total direct	201,105	13,423	(135,633)	(136,694)
Reinsurance business				
Other reinsurance acceptances	48,065	77,265	(44,298)	(161,037)
Reinsurance to close	30,334	(221,726)	-	284,160
Total reinsurance	78,399	(144,461)	(44,298)	123,123
Total	279,504	(131,038)	(179,931)	(13,571)

Reconciliation of Reinsurance Balance to Underwriting Account

Outward reinsurance premiums	(41,748)
Less: Reinsurers' share of claims paid	271,478
Reinsurers' share of change in provision for claims	(243,301)
	<u>(13,571)</u>

CHARIOT (II) UNDERWRITING PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004
(CONTINUED)

3 Investment Income (other than syndicate investment income)

	2004	2003
	£	£
Interest on cash balances at Lloyd's	907	11,358
Deposit interest	222	-
Interest on Treasury Stock	14,705	1,460
Unrealised loss from investments	(7,254)	-
	<u>8,580</u>	<u>12,818</u>

4 Other Expenses

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

	2004	2003
	£	£
Continuing activities		
Staff costs (Note 5)	1,538	1,537
Auditors' remuneration for audit services	5,103	4,979
Auditors' remuneration for other services	<u>1,700</u>	<u>4,010</u>

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

	£	£
Brokerage	70,153	146,666
Syndicate operating expenses	10,724	(60,363)
Foreign exchange (gains)/losses	<u>26,153</u>	<u>61,748</u>

CHARIOT (II) UNDERWRITING PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004
(CONTINUED)

5 Staff Costs

	2004	2003
	£	£
Wages and salaries	1,538	1,537
Social security costs	<u>-</u>	<u>-</u>
	<u>1,538</u>	<u>1,537</u>

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

	2004	2003
	4	4
Management	<u>4</u>	<u>4</u>

6 Directors Remuneration

	2004	2003
	£	£
Directors' emoluments (all in respect of management services)	<u>1,538</u>	<u>1,537</u>

7 Tax on Profit/(Loss) on Ordinary Activities

The tax assessed for the year is lower than the standard rate of UK corporation tax. The differences are explained below:

	2004	2003
	£	£
Profit/(Loss) on ordinary activities before tax	<u>27,637</u>	<u>(28,392)</u>
Profit/(Loss) on ordinary activities multiplied by standard rate of UK corporation tax of 19% (2003 19%)	5,251	(5,394)
Effects of:		
Timing differences arising from the taxation of underwriting results	(13,875)	(49,366)
Amortisation	-	-
Tax losses carried forward	<u>8,624</u>	<u>54,760</u>
Current tax charge	<u>-</u>	<u>-</u>

The company has trading losses of approximately £643,438 (2003 £579,481) available for carry forward against future trading profits which should significantly reduce tax payments in future years.

There is a potential deferred tax asset of £128,135 (2003- £127,223) arising from accumulated trading losses and other timing differences. 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 2004
(CONTINUED)

8 Fixed Asset Investments

(i) At Market Value

	2004		2003	
	Company	Syndicate	Company	Syndicate
Shares and Other Variable Yield Securities	-	15,278	-	99,269
Debt Securities and Other Fixed Interest Securities	179,436	417,377	282,252	857,744
Participation in Investment Pools	-	-	-	8,336
Loans Guaranteed by Mortgage	-	-	-	1,675
Other Loans	-	-	-	-
Deposits with Credit Institutions	-	30,639	-	22,794
Cash Balances Held as Funds at Lloyds	9,868	-	24,186	-
Other	-	428	-	1,922
	<u>189,304</u>	<u>463,722</u>	<u>306,438</u>	<u>991,740</u>

(ii) At Cost

	2004		2003	
	Company	Syndicate	Company	Syndicate
Shares and Other Variable Yield Securities	-	16,643	-	114,222
Debt Securities and Other Fixed Interest Securities	173,000	397,600	281,319	876,826
Participation in Investment Pools	-	-	-	8,179
Loans Guaranteed by Mortgage	-	-	-	1,666
Other Loans	-	-	-	-
Deposits with Credit Institutions	-	5,520	-	18,168
Cash Balances Held as Funds at Lloyds	9,868	-	24,186	-
Other	-	428	-	1,922
	<u>182,868</u>	<u>420,191</u>	<u>305,505</u>	<u>1,020,983</u>

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

Other Debtors	2004	2003
	£	£
Sundry Debtor	-	-
Prepayments and accrued income	3,769	8,895
	<u>3,769</u>	<u>8,895</u>

CHARIOT (II) UNDERWRITING PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004 (CONTINUED)

10 Intangible Assets

	2004 £	2003 £
Capacity on Lloyd's syndicates		
Balance brought forward	305	-
Additions	-	305
Balance carried forward	<u>305</u>	<u>305</u>

11 Called up share capital

	2004 £	2003 £
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

	2004 £	2003 £
Profit/(Loss) for the year	27,637	(28,392)
Balance brought forward	<u>(716,039)</u>	<u>(687,647)</u>
Balance carried forward	<u>(688,402)</u>	<u>(716,039)</u>

13 Reconciliation of Movements in Shareholders' Funds

	2004 £	2003 £
Profit/(Loss) for the financial year	27,637	(28,392)
Opening shareholders' funds	<u>(666,039)</u>	<u>(637,647)</u>
Closing shareholders' funds	<u>(638,402)</u>	<u>(666,039)</u>

14 Capital Commitments and Operating Leases

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

CHARIOT (II) UNDERWRITING PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004 (CONTINUED)

15 Related Party Transaction

Messrs Dowlen, Leonard and Tanner are directors of both Chariot Incorporated PLC (CIP) and, until 7 April 2004 and 27 April 2004 respectively, Messrs Dowlen and Tanner were also directors of Zenith UK Holdings Limited (ZUHL). Mr Leonard continues as a director of ZUHL.

During 2002 £96,000 was made available to CIP from ZUHL to provide additional funds at Lloyd's (FAL) to support the underwriting of Chariot Underwriting PLC for the 2003 underwriting year. In both 2003 and 2004 the facility was extended for a further year to support the 2004 and 2005 underwriting years.

In August 2004 the terms upon which it was intended that these funds were initially made available were clarified. Consequently, the funds of £96,000 will no longer be treated as a loan but as third party deposit funds.

ZUHL will earn a return on the funds provided equivalent to a share of the net underwriting result pro-rata to the level of unencumbered FAL in place to support the 2003, 2004 and 2005 accounts. In addition any investment income earned on the funds provided belongs to ZUHL. ZUHL recognizes that circumstances may arise where the funds provided may be reduced through underwriting losses. In such circumstances, CIP is not obliged to reimburse ZUHL for such losses.

16 Losses Relating to 11 September 2001 Terrorist Attacks in the United States of America

As a result of the terrorist attacks on 11 September 2001 the world insurance market is faced with unprecedented losses across a wide range of business underwritten. Many Lloyd's syndicates, including syndicates supported by this company have material exposure to claims arising from this event. These claims fall mainly on the 2001 underwriting year. Although the 2001 underwriting year closed for most syndicates in 2003, there are a number that are in run-off and include exposure to this event and their liabilities will be subject to re-assessment prior to ultimate closure.

The loss provision established by the company for those syndicates in run-off is based upon the estimate of losses as calculated by the management of the syndicates. The size and nature of the 11 September 2001 claims, the legal uncertainties that arise and the ability of syndicates to collect amounts that become due from reinsurers, all increase the level of uncertainty of the total provision for outstanding claims that is necessary. As a result the losses currently estimated by the directors have a greater degree of uncertainty than usual and may or may not prove to be materially different to the eventual cost of these claims.

17 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:

Fountain House
130 Fenchurch Street
London
EC3M 5DJ