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HCC ACQUISITIONS (U.K.) LIMITED

FINANCIAL STATEMENTS

Year ended 31 December 2002



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COMPANIES HOUSE

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Walsingham House
35 Seething Lane
London EC3N 4AH

HCC ACQUISITIONS (U.K.) LIMITED

DIRECTORS	B J Cook R L Hughes G J Lockett C L Martin B. Merriman
SECRETARY	R L Hughes
REGISTERED NUMBER	3671966
REGISTERED OFFICE	Walsingham House 35 Seething Lane London EC3N 4AH
SOLICITORS	DJ Freeman 43, Fetter Lane London EC4A 1JU
AUDITORS	PricewaterhouseCoopers LLP Southwark Towers 32, London Bridge Street London SE1 9SY

HCC ACQUISITIONS (U.K.) LIMITED

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HCC ACQUISITIONS (U.K.) LIMITED REPORT OF THE DIRECTORS

The directors present their report for the year ended 31 December 2002.

Directors' responsibilities

Company law requires the directors to prepare financial statements 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 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;
- comply with applicable accounting standards subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining 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.

Directors

The directors set out in the table below have held office during the period unless otherwise stated

B J Cook
R L Hughes
G J Lockett (appointed 25 April 2002)
C L Martin
B Merriman

Some of the directors of the company have interests in shares, and options over shares, in the ultimate parent company, HCC Insurance Holdings Inc., details of which they are not required to disclose by reason of The Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985 (SI 1985/802).

Principal activity and review of the business

The company acts as a holding company. The principal subsidiary, Rattner Mackenzie Limited, is a specialist Lloyd's broker transacting mainly Accident & Health and Non-Marine insurance and reinsurance. It continues to focus on specialist sectors of the market and believes it is well placed to take advantage of the changing market conditions. A subsidiary company acquired Manchester Dickson Holdings Ltd on 24 December 2002, this company's principle subsidiary, Dickson Manchester & Co Ltd is a retail broker specialising in Professional Indemnity primarily in the U.K. and Ireland.

Reporting currency

Since the inception of the company the directors have been conscious that, with the vast majority of its subsidiaries' trading being handled in US Dollars, an increasing proportion of their expenses also denominated in US Dollars and reporting within the Group in US Dollars, there has been a strong argument in favour of changing the company and its subsidiaries' reporting currency to US Dollars. During 2001 the company's General Ledger system was tested to ensure that it could meet the requirements of such a change and this was implemented with effect from 01 January, 2002. Further details are set out in the Accounting Policies note.

HCC ACQUISITIONS (U.K.) LIMITED
REPORT OF THE DIRECTORS

Results and dividends

The result for the period is shown in the profit and loss account on page 6. No dividends have been paid in the year and the directors do not recommend the payment of a final dividend.

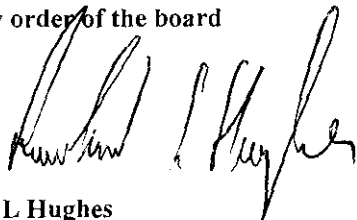
Charitable contributions

The group contributed US\$ Nil (2001 US\$2,459) to charitable organisations.

Auditors

The auditors, PricewaterhouseCoopers LLP, have signified their willingness to continue in office and a resolution proposing their re-appointment will be put to the annual general meeting.

By order of the board

A handwritten signature in black ink, appearing to read 'R L Hughes', written over the text 'By order of the board'.

R L Hughes
Secretary
Walsingham House
35 Seething Lane
London EC3N 4AH

09 September 2003

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HCC ACQUISITIONS (U.K.) LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

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.

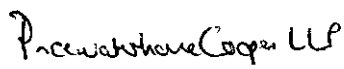
Basis of audit opinion

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 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 of affairs of the company and the group at 31 December 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants
and Registered Auditors
32, London Bridge Street,
London SE1 9SY

11 September 2003

HCC ACQUISITIONS (U.K.) LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2002	Notes	Year ended 31 December 2002 US\$	Year ended 31 December 2001 US\$
Revenue			
Turnover	1	17,709,733	24,202,100
Interest and investment income		844,525	2,138,512
Other income		27,194	3,992
		<hr/>	<hr/>
		18,581,452	26,344,604
Expenses			
Salaries and associated expenses	3,4	(6,616,055)	(6,208,940)
Other expenses		(7,663,291)	(9,378,705)
		<hr/>	<hr/>
		(14,279,346)	(15,587,645)
Operating profit before tax		<hr/>	<hr/>
		4,302,106	10,756,959
Interest payable	5	(1,626,785)	(3,125,726)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2	2,675,321	7,631,233
Taxation on profit on ordinary activities	6	(1,672,501)	(2,781,285)
		<hr/>	<hr/>
Profit for the period		1,002,820	4,849,948
		<hr/>	<hr/>
Non-equity minority interests		(4)	(4)
		<hr/>	<hr/>
Retained profit for the period	21	1,002,816	4,849,944
		<hr/>	<hr/>

The group has no recognised gains and losses other than the profit for the period and the change in unrealised gains and losses on investments as set out in note 21.

The group's turnover and expenses all relate to continuing operations.

HCC ACQUISITIONS (U.K.) LIMITED
CONSOLIDATED BALANCE SHEET

As at 31 December 2002

Notes 31 December 2002 31 December 2001
 USS USS

Assets employed

Fixed assets

Intangible assets

Goodwill arising on consolidation

Negative goodwill

7 66,178,974 56,421,973
 7 (382,139) (521,098)

65,796,835 55,900,875

Tangible assets

9 1,119,051 385,667

66,915,886 56,286,542

Current assets

Debtors

12 299,667,749 275,703,005

Investments

20,761 22,566

Cash and deposits

68,159,164 57,235,436

367,847,674 332,961,007

Creditors: amounts falling due within one year

13 (414,433,751) (370,159,934)

Net current liabilities

(46,586,077) (37,198,927)

Total assets less current liabilities

20,329,809 19,087,615

Provision for liabilities and charges

14 (578,087) (336,904)

Net assets

19,751,722 18,750,711

Financed by

Shareholders' funds

Called-up share capital

15 16,252,870 16,252,870

Unrealised profits / (losses) on investments

21 (1,016) 789

Profit and loss account

21 3,495,637 2,492,821

Total shareholders' funds

21 19,747,491 18,746,480

Non-equity minority interests

4,231 4,231

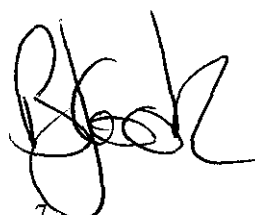
Capital employed

19,751,722 18,750,711

Authorised by the board
 and signed on its behalf by

9 September 2003

B J Cook
 Chairman



As at 31 December 2002

Assets employed

Investments in group undertakings

10	71,280,000	71,280,000
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Debtors

12	16,852,504	4
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Cash and deposits

97,739	35,178
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16,950,243	35,182
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Creditors: amounts falling due within one year

13	(64,372,305)	(47,523,115)
----	--------------	--------------

(47,422,062) (47,487,933)

23,857,938	23,792,067
------------	------------

Shareholders' funds

Called-up share capital

15	16,252,870	16,252,870
----	------------	------------

Profit and loss account

21	7,605,068	7,539,197
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23,857,938	23,792,067
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Authorised by the board
and signed on its behalf by

B J Cook
Chairman

9 September 2003

A handwritten signature consisting of stylized letters, likely "H. K.", written in black ink. The signature is located at the bottom right of the page, below the typed name "H. K.".

HCC ACQUISITIONS (U.K.) LIMITED ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared under the historical cost convention, in accordance with applicable accounting standards and on the going concern basis as explained below. The policies are consistent with prior years except for deferred tax as also explained below.

The financial statements are prepared on the going concern basis despite the existence of net current liabilities arising from the classification of inter-group debt as a current liability due to its being repayable on demand. The directors do not expect that repayment of this loan will be required before maturity in 2004 and upon maturity the parent group has indicated its present intention to support the company. Accordingly the directors believe that the preparation of the financial statements on the going concern basis is appropriate.

Reporting currency

With effect from 01 January, 2002 the company has changed its reporting currency from £ Sterling to US Dollars and the comparative figures have been re-stated on this basis. This change recognises that this group's principle operating subsidiary received 89% of its income and paid 22% of its expenses in US Dollars during the year; it has also paid dividends in the past two years in US Dollars having exchanged the £ declared dividends into US Dollars for remittance purposes. Additionally, the ultimate parent of this company and its subsidiaries is based in the USA and all group reporting is in US Dollars. Comparative figures for 2001 have also been translated.

The 2001 year-end US Dollar equivalent of certain balances reported in last year's Sterling denominated accounts is different from their US Dollar values reported in the comparative figures in this year's US Dollar denominated accounts. This is because certain non-monetary US Dollar balances (predominantly investments in subsidiaries) were not retranslated into Sterling at the year-end rate in the previous year's balance sheet but were recorded at historic rates.

Basis of consolidation

The consolidated financial statements comprise the accounts of the company and its subsidiary undertakings. No separate profit and loss account is presented for the company as permitted by S.230 of the Companies Act 1985.

In accordance with FRS 1 para 5(a) the group is exempt from producing a cashflow statement as it is wholly owned by HCC Insurance Holdings Inc. whose consolidated financial statements contain a cashflow statement incorporating the results and cashflows of this group and those financial statements are publicly available.

Turnover

Insurance and reinsurance broking income represents broking commissions and fees, net of commissions allowed to other directly involved parties. Income is taken to profit when debiting the insured or other parties. In the case of certain classes of business, a provision is made to cover the cost of claims processing and policy transfer expenses in future years.

Certain non-recurring commission is credited when received. Interest on deposits and fixed interest investments is credited as it is earned. Income from other investments is credited when it is received.

Exchange rate

The company and the group record transactions in currencies other than their reporting currency ("foreign" currencies) at the rate of exchange at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Contracts for the sale of future revenue to be received in foreign currencies are accounted for on maturity. Monetary assets and liabilities in foreign currencies, other than those hedged forward, are translated at the rates ruling at the balance sheet date which for £ Sterling was \$1.6044 (31 December, 2001 \$1.4515).

For entities where the accounting records are maintained in US Dollars, daily rates have been applied to transactions in foreign currencies included in the profit and loss account.

Pensions

Pension costs are charged against profits on a systematic basis relating to the current level of premiums rendered by the company's pension providers on a defined contribution basis; these are calculated individually for every member of staff.

HCC ACQUISITIONS (U.K.) LIMITED

ACCOUNTING POLICIES

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings is carried on the balance sheet. Positive goodwill is amortised on a straight-line basis over its useful economic life. Negative goodwill is written back to the profit and loss account over the period expected to benefit from that negative goodwill. The carrying value of all goodwill is reviewed regularly for impairment.

Tangible assets

All tangible assets are stated at cost less accumulated depreciation.

Depreciation is calculated to write-off the cost of fixed assets less estimated residual value on a straight-line basis over their estimated useful lives at the following annual rates. During the year a change was made in that new assets are depreciated commencing with the month of acquisition, previously a full year's charge was made in the year of acquisition; this was done to bring the company into alignment with group accounting policies and the impact on the profit for the year is not material.

Fixtures and fittings	15% and 20%
Office equipment	20%
Computers	20% and 33%
Vehicles	25%

Insurance debtors and creditors

A subsidiary acts as agent in broking the insurable risks of clients and, generally speaking, is not liable as a principal for premiums due to underwriters or for claims payable to clients. Notwithstanding the legal relationship with clients and underwriters the company has followed generally accepted accounting practice for insurance intermediaries by showing debtors, creditors and cash balances relating to insurance business as assets and liabilities of the company itself.

In the ordinary course of insurance broking business, settlement is required to be made with certain market settlement bureaux, insurance intermediaries or insurance companies on the basis of the net balance due to or from them rather than the amount due to or from the individual third-parties which it represents. Under Financial Reporting Standard 5 ("FRS5") assets and liabilities may not be offset unless net settlement is legally enforceable therefore insurance debtors and creditors are shown gross within these financial statements.

Deferred taxation

FRS19 has been adopted during the year but this has had no impact on prior year amounts. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Provision is made at the taxation rate at which it is anticipated any asset or liability might crystallise.

Operating and financial leases

Rentals payable under operating leases are charged to the profit and loss account in the period in which they are payable. Assets obtained under finance leases are capitalised in the balance sheet and are depreciated over their useful lives; the interest element of the obligations is charged to the profit and loss account in the period in which it is payable.

HCC ACQUISITIONS (U.K.) LIMITED.
NOTES TO THE FINANCIAL STATEMENTS

1. Turnover

31 December 2002 **31 December 2001**
US\$ **US\$**

The company is an investment company and the group turnover derives from the principal activities of its subsidiaries.

Analysis by geographic location of client:	United States of America	13,517,813	19,836,708
	United Kingdom	3,375,962	3,634,152
	Canada	494,076	585,020
	Caribbean	232,693	-
	Europe	29,985	28,581
	Other	59,204	117,639

The turnover derives from the principal activity of insurance broking.	17,709,733	24,202,100
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2. Profit on ordinary activities before taxation

31 December 2002 **31 December 2001**
US\$ **US\$**

Loss on ordinary activities before taxation of the group is stated after charging:

Auditors remuneration:	group audit fees	75,488	71,200
	other services	4,802	17,578

Amortisation of goodwill arising on consolidation (note 7)	2,999,417	2,999,415
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Depreciation of tangible assets (note 9)	180,291	191,012
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Operating lease rentals:	land and buildings	442,856	432,658
	other	179,860	173,535

Gains / (losses) on exchange

Arising from trading transactions	(544,832)	232,540
Arising from changes in financial position	(23,373)	276,248

Audit fees attributable to the company were US\$9,625 (31 December 2001 US\$5,767).

The parent company's profit for the year was US\$65,871 (31 December 2001 US\$2,274,179).

3. Directors' remuneration

31 December 2002 **31 December 2001**
US\$ **US\$**

Remuneration

Emoluments	935,704	732,123
Contributions to money purchase pension schemes	281,647	132,173

The emoluments of directors disclosed above include the following amounts

Paid to the highest paid director :

Emoluments	426,127	481,038
Contributions to money purchase pension schemes	173,312	83,331

During the period three (2001 two) directors accrued benefits under money purchase pension schemes

The emoluments of Mr. B Merriman and Mr. CL Martin are paid by fellow subsidiaries of the ultimate parent company and their emoluments are deemed to be wholly attributable to the services they perform for these other companies. No recharge of these emoluments is made to the company and accordingly the above details include no emoluments in respect of these directors.

HCC ACQUISITIONS (U.K.) LIMITED.
NOTES TO THE FINANCIAL STATEMENTS

4. Staff costs

	31 December 2002	31 December 2001
	US\$	US\$
Wages and salaries	5,073,593	4,798,714
Social security costs	610,412	641,814
Other pension costs (note 18)	932,050	768,412
	<hr/>	<hr/>
	6,616,055	6,208,940
	<hr/>	<hr/>

The average number of persons employed by the group, including Directors, during the period was as follows:

	31 December 2002	31 December 2001
Insurance broking	99	57
	<hr/>	<hr/>

5. Interest payable

	31 December 2002	31 December 2001
	US\$	US\$
Interest payable on loan from parent undertaking	1,626,785	3,125,726
	<hr/>	<hr/>

6. Taxation

	31 December 2002	31 December 2001
	US\$	US\$
UK corporation tax at 30% on profit for the year	802,596	2,289,370
Tax on disallowed items	85,385	57,794
Difference between depreciation and capital allowances	(15,972)	4,571
Adjustment for tax on amortisation of goodwill arising on consolidation	899,825	899,825
Adjustments in respect of prior years	(955)	-
Difference arising from translation of prior years' currencies	-	(429,131)
Other	(125,248)	(34,119)
	<hr/>	<hr/>
Current tax charge	1,645,631	2,788,310
	<hr/>	<hr/>
Deferred taxation (note 11)	26,870	(7,025)
	<hr/>	<hr/>
Charge per Profit and Loss account	1,672,501	2,781,285
	<hr/>	<hr/>

HCC ACQUISITIONS (U.K.) LIMITED.
NOTES TO THE FINANCIAL STATEMENTS

7. Intangible fixed assets	Negative goodwill US\$	Goodwill US\$	Total US\$
Cost			
At 31 December 2001	(694,798)	62,767,509	62,072,711
Additions (note 8)	-	12,895,377	12,895,377
	<hr/>	<hr/>	<hr/>
At 31 December 2002	(694,798)	75,662,886	74,968,088
	<hr/>	<hr/>	<hr/>
Amortisation			
At 31 December 2001	(173,700)	6,345,536	6,171,836
Charge for the year	(138,959)	3,138,376	2,999,417
	<hr/>	<hr/>	<hr/>
At 31 December 2002	(312,659)	9,483,912	9,171,253
	<hr/>	<hr/>	<hr/>
Net book amount			
At 31 December 2001	(521,098)	56,421,973	55,900,875
At 31 December 2002	(382,139)	66,178,974	65,796,835

The goodwill arising on the acquisition of Pepys Holdings Limited is being amortised on a straight-line basis over 20 years and the negative goodwill arising on the acquisition of Rattner Mackenzie Limited (RML) (JEC) over 5 years, these being the periods over which the directors estimate that the values of the underlying businesses acquired are expected to exceed / remain below the value of the underlying assets. The goodwill arising from the acquisition of Manchester Dickson Holdings Ltd will be amortised over 20 years on a straight-line basis.

8. Acquisitions

On 24 December 2002 Pepys Holdings Ltd. acquired by way of purchase the entire share capital of Manchester Dickson Holdings Ltd. No adjustments were required to the book values of the assets and liabilities of the companies acquired in order to present the net assets of those companies at fair values in accordance with group accounting policies. This acquisition included an element of contingent consideration that may result in additional consideration payable based on the trading profits of that company and its subsidiaries over the next three years. The minimum additional consideration payable is \$ Nil, the aggregate amount possibly payable does not have a stated maximum but the calculation changes when a value of £11,000,000 (\$17,648,400 at year end rate of exchange) is reached and amounts payable thereafter are unlikely to be material. At this early stage it is not possible to make a reliable estimate of the amounts reasonably expected to be payable and so no provision for consideration potentially payable above the minimum has been made. This will be revised as further and more certain information becomes available with corresponding adjustments to the value in the company's goodwill.

Manchester Dickson Holdings Ltd. acquisition	Fair value US\$
Tangible assets	524,382
Cash	10,373,385
Debtors	8,001,433
Creditors	(14,256,743)
Provision for liabilities and charges	(273,284)
	<hr/>
Fair value of net assets acquired	4,369,173
Goodwill	12,895,377
	<hr/>
Consideration	17,264,550
	<hr/>

HCC ACQUISITIONS (U.K.) LIMITED.
NOTES TO THE FINANCIAL STATEMENTS

9. Tangible fixed assets	Vehicles	Fittings & fixtures	Office equipment	Computers	Total
	US\$	US\$	US\$	US\$	US\$
Cost					
At 31 December 2001	-	1,157,835	613,326	395,032	2,166,193
Revaluation loss arising on currency translation	-	(90)	(1,864)	(4,879)	(6,833)
	-	1,157,745	611,462	390,153	2,159,360
Additions	11,492	16,044	2,526	393,251	423,313
Acquired assets	-	-	436,809	828,621	1,265,430
Disposals	-	-	-	-	-
At 31 December 2002	11,492	1,173,789	1,050,797	1,612,025	3,848,103
Depreciation					
At 31 December 2001	-	981,287	466,648	332,591	1,780,526
Revaluation loss arising on currency translation	-	14,189	9,672	3,326	27,187
	-	995,476	476,320	335,917	1,807,713
Provided	1,094	81,456	54,519	43,222	180,291
On acquired assets	-	-	116,248	624,800	741,048
Disposals	-	-	-	-	-
At 31 December 2002	1,094	1,076,932	647,087	1,003,939	2,729,052
Net book value					
At 31 December 2001	-	176,548	146,678	62,441	385,667
At 31 December 2002	10,398	96,857	403,710	608,086	1,119,051

HCC Acquisitions (U.K.) Limited holds no tangible fixed assets.

10. Fixed asset investments	31 December 2002	31 December 2001
	US\$	US\$
Shares in group undertakings:		
Pepys Holdings Limited	71,280,000	71,280,000

HCC Acquisitions (U.K.) Limited owns 100% of the non-voting ordinary shares and 49% of the Fixed Rate Preference shares of the above subsidiary. The company is registered in England and Wales.

11. Deferred tax asset	Balance	Profit and	Balance
	1 January 2002	Loss	31 December 2002
	US\$	US\$	US\$
Group			
Realisable after more than one year			
Timing differences	6,141	(1,928)	4,213
Accelerated tax depreciation	56,810	(24,942)	31,868
	62,951	(26,870)	36,081

HCC ACQUISITIONS (U.K.) LIMITED.
NOTES TO THE FINANCIAL STATEMENTS

12. Debtors	Group 31 December 2002 US\$	Group 31 December 2001 US\$	Company 31 December 2002 US\$	Company 31 December 2001 US\$
Amounts falling due within one year:				
Insurance broking debtors: related undertakings	34,807,497	33,472,286	-	-
other	262,712,049	241,547,581	-	-
Amounts owed by group undertakings	901,754	100,883	16,852,504	4
Other debtors	270,419	139,452	-	-
Prepayments and accrued income	859,725	299,345	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	299,551,444	275,559,547	16,852,504	4
Amounts falling due after one year:				
Other debtors	80,224	80,507	-	-
Deferred tax (note 11)	36,081	62,951	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	299,667,749	275,703,005	16,852,504	4
	<hr/>	<hr/>	<hr/>	<hr/>

13. Creditors	Group 31 December 2002 US\$	Group 31 December 2001 US\$	Company 31 December 2002 US\$	Company 31 December 2001 US\$
Amounts falling due within one year:				
Insurance broking creditors: related undertakings	60,155,368	56,664,060	-	-
other	281,276,067	259,765,806	-	-
Amounts owed to group undertakings	65,032,827	51,348,595	64,362,678	47,494,397
Other creditors	5,522,506	54,735	9,627	28,631
Corporation tax	1,511,913	1,515,386	-	-
Social Security and other amounts	41,073	58,871	-	-
Accruals and deferred income	893,997	752,481	-	87
	<hr/>	<hr/>	<hr/>	<hr/>
	414,433,751	370,159,934	64,372,305	47,523,115
	<hr/>	<hr/>	<hr/>	<hr/>

Included in amounts owed to group undertakings is US\$47,439,198 (2001 US\$47,439,198) in respect of a Secured Loan Note issued to HCC Insurance Holdings Inc. on 23 December, 1999 and repayable on, or before, 23 December, 2004; and US\$30,574 in respect of accrued interest payable at variable rates, based on LIBOR, for the year ended 31 December, 2002 (2001 US\$44,804). The loan is secured on the investment in the principal subsidiary.

14. Provisions for liabilities and charges	Balance 1 January 2002 US\$	From acquisitions US\$	Profit and Loss US\$	Balance 31 December 2002 US\$
Group				
Provision for future claims processing	336,904	273,284	(32,101)	578,087
	<hr/>	<hr/>	<hr/>	<hr/>

HCC ACQUISITIONS (U.K.) LIMITED.
NOTES TO THE FINANCIAL STATEMENTS

15. Share capital	31 December 2002	31 December 2001
	£	£
Authorised		
Ordinary (10,049,385 shares of £1)	10,049,385	10,049,385
	<hr/>	<hr/>
Issued and fully paid		
Ordinary (10,049,385 shares of £1)	10,049,385	10,049,385
	<hr/>	<hr/>

The issued and fully paid share capital was converted to Dollars at the rate of 1.6173, this was the rate in force on 23 December, 1999, the date of capitalisation of the company by HCC Insurance Holdings Inc. Issued share capital has been translated as below.

	Issued and Fully paid	
	31 December 2002	31 December 2001
	US\$	US\$
Ordinary shares at £1 each	16,252,870	16,252,870
	<hr/>	<hr/>
	16,252,870	16,252,870
	<hr/>	<hr/>

16. Related party transactions

All related party trading transactions were with group members that were at least 90% owned by other group members and therefore do not require disclosure.

HCC Insurance Holdings Inc., incorporated in the USA and listed on the New York Stock Exchange, is regarded by the directors of the company as the company's ultimate parent undertaking. The consolidated accounts of HCC Insurance Holdings Inc. may be obtained from the company's principal office at 13403 Northwest Freeway, Houston, Texas 77040-6094, USA.

17. Lease obligations	Land and buildings	Other
	US\$	US\$
Rentals payable in the next twelve months are analysed as follows:		
Operating leases which expire in:		
1 year	-	20,247
2 to 5 years	3,209	175,986
Over 5 years	970,084	-

18. Pension costs

The group operates individual defined contribution pension plans for each employee, additionally, provision is made for payments to Funded Unapproved Retirement Benefit Schemes where appropriate. There are no unfunded pension liabilities. At 31 December 2002 US\$ Nil (2001 US\$ Nil) was due to scheme members in refund of overpaid contributions.

HCC ACQUISITIONS (U.K.) LIMITED.
NOTES TO THE FINANCIAL STATEMENTS

19. Subsidiary undertakings

The following are the subsidiaries owned by this company, all of them are dealt with in the consolidated accounts.

Through Pepys Holdings Ltd. the following companies are owned 100% :-

Rattner Mackenzie Ltd., registered in England and Wales.

Rattner Mackenzie Ltd. (RML) (JEC), registered in Jordan.

Dickson Manchester & Co. Ltd.

The principal activity of these companies is insurance broking.

The following companies are also owned 100%

Manchester Dickson Holdings Ltd., registered in England and Wales.

Dickson Manchester Underwriting Ltd., (dormant) registered in England and Wales.

HCC Trustees Ltd. (dormant), registered in England and Wales.

Pepys Management Services Ltd. (dormant), registered in England and Wales.

20. Commitments

Forward exchange contracts

At 31 December 2002 the group had commitments under forward contracts for the sale of US\$ Nil (2001 US\$6,000,000).

These contracts were matched against both future income and future expense streams and no provision had been made in the financial statements for any profit or loss arising from these contracts.

Capital expenditure

At 31 December 2002 the group had commitments for contracted capital expenditure amounting to US\$ Nil, company US\$ Nil (2001 group US\$ Nil, company US\$ Nil)

HCC ACQUISITIONS (U.K.) LIMITED.
NOTES TO THE FINANCIAL STATEMENTS

21. Reconciliation of movement in shareholders' funds	Share capital US\$	Unrealised gains/(losses) US\$	Profit and loss account US\$	Total US\$
Group				
At 31 December 2000	16,252,870	(4,287)	(2,357,123)	13,891,460
Profit for year ending 31 December 2001		5,076	4,849,944	4,855,020
	_____	_____	_____	_____
At 31 December 2001	16,252,870	789	2,492,821	18,746,480
Profit/(loss) for year ending 31 December 2002		(1,805)	1,002,816	1,001,011
	_____	_____	_____	_____
At 31 December 2002	16,252,870	(1,016)	3,495,637	19,747,491
	_____	_____	_____	_____
Company				
At 31 December 2000	16,252,870	-	5,265,018	21,517,888
Profit for year ending 31 December 2001			2,274,179	2,274,179
	_____	_____	_____	_____
At 31 December 2001	16,252,870	-	7,539,197	23,792,067
Profit for year ending 31 December 2002		-	65,871	65,871
	_____	_____	_____	_____
At 31 December 2002	16,252,870	-	7,605,068	23,857,938
	_____	_____	_____	_____