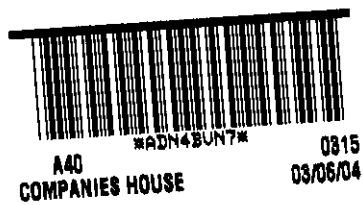


REPORT AND ACCOUNTS

NLC Name No. 2 Limited

31st DECEMBER 2003



Registered No. 2859376

Directory

Directors

A J Gibson
I W J Patrick

Secretary

P Lampshire

Auditors

KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB

Registered Office

Highway House, 171 Kings Road
Brentwood, Essex
CM14 4EJ

Directors' Report

The directors present their report and the audited financial statements for the year ended 31st December 2003.

Principal activity and review of business

The company's principal activity is that of insurance underwriting as a corporate member of the Society of Lloyd's. The company commenced underwriting on 1st January 1994. Note 2 to the accounts sets out the syndicate participations of the company for the 1997, 1998 and 1999 underwriting years of account. The Company ceased underwriting on 31st December 1999.

Results and dividends

The profit for the year, after taxation, amounted to £11,000 (2002: £630,000). The directors do not recommend the payment of an equity dividend (2002: £750,000).

Accounting presentation

The Financial Services Authority has ruled that the company falls within the definition of an insurance company under the Companies Act 1985 and is therefore required to present its financial statements under Schedule 9A of the Companies Act 1985.

As such, the Technical Account and balance sheet include information compiled by Lloyd's on behalf of all corporate members from accounting information provided by the managing agents. Prepared on a calendar year basis, the Technical Account includes proportional syndicate information on premiums, claims, operating expenses, investment returns and technical reserves relating to each year of account of the syndicates in which the company participates. Similarly, the balance sheet presents the company's net assets together with the proportional share of the assets and liabilities of the underlying syndicates.

This method of presentation has required that the directors rely heavily on information provided by Lloyd's. Whilst the directors have overseen the reconciliation of the balance on the Technical Account at 31st December 2003 with a calculation of the amounts due from the syndicates, the directors have not been able to check the consistency and accuracy of the accounting information to the degree which is possible for the company's own transactions.

Directors' Report

Directors and their interests

The current directors of the company are set out on page 1.

The interests of the directors who held office at 31st December 2003 and their immediate family in the share capital of the ultimate holding company are disclosed in the accounts of that company.

Auditors

On 13th August 2003 Ernst & Young resigned as auditors and KPMG Audit Plc were appointed in their place. In accordance with section 394 of the Companies Act 1985 Ernst & Young have confirmed that there are no circumstances connected with ceasing to hold office which they consider should be brought to the attention of the Company's members.

A resolution for the reappointment of KPMG Audit Plc as auditors will be presented at the forthcoming Annual General Meeting of the Company.

By order of the board



P Lampshire
20th May 2004

Statement of 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 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; and
- 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 keeping proper accounting records which 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditors' Report to the members of NLC Name

No. 2 Limited

We have audited the financial statements on pages 6 to 19.

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 auditor's 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

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

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 the company's affairs as at 31st December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants & Registered Auditor
8 Salisbury Square
London
EC4Y 8BB
20th May 2004

Profit and Loss Account

for the year ended 31st December 2003

	Notes	2003 £000	2002 £000
TECHNICAL ACCOUNT - GENERAL BUSINESS			
Gross premiums written		228	2,523
RITC premiums received from earlier years		-	70
Total gross premiums	3	228	2,593
Outward reinsurance premiums		(198)	(952)
RITC premiums paid to subsequent years		-	(1,187)
Net premiums written		30	454
Allocated investment return transferred from the non-technical account	4	74	322
Total technical income		104	776
Gross claims paid		(2,868)	(4,178)
Reinsurers' share		1,791	2,712
Net paid claims		(1,077)	(1,466)
Change in claims provision		3,850	7,703
Reinsurers' share		(2,464)	(4,605)
Change in the provision for claims		1,386	3,098
Net claims incurred		309	1,632
Net operating expenses	5	(407)	(2,398)
Personal expenses		(3)	(3)
Investment expenses and charges		(3)	(7)
Total technical charges		(104)	(776)
Balance on the technical account – general business		-	-

Profit and Loss Account

for the year ended 31st December 2003

	Notes	2003 £000	2002 £000
NON-TECHNICAL ACCOUNT			
Balance on the general business technical account		-	-
Investment income	4	90	322
Allocated investment return transferred to the general business technical account	4	(74)	(322)
Other income		-	93
Other charges	6	(2)	(86)
Profit on ordinary activities before taxation		14	7
Taxation on profit on ordinary activities	8	(3)	623
Profit on ordinary activities after taxation		11	630
Dividends	9	-	(750)
Profit/(loss) retained for the financial year		11	(120)

All activities derive from continuing operations. There are no recognised gains or losses or movements in shareholder's funds other than profit for the financial year. Accordingly, no statement of recognised gains or losses is given.

The movement in shareholder's funds is shown in note 17.

Balance Sheet

as at 31st December 2003

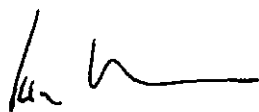
ASSETS	Notes	2003 £000	2002 £000
Investments			
Other financial investments	10	3,528	3,018
Deposits with ceding undertakings		<u>1</u>	<u>1</u>
		<u>3,529</u>	<u>3,019</u>
Reinsurers' share of technical provisions			
Claims outstanding		4,209	7,547
Debtors			
Debtors arising out of direct operations - intermediaries		-	8
Debtors arising out of reinsurance operations		2,810	3,546
Other debtors	11	<u>1,873</u>	<u>3,791</u>
		<u>4,683</u>	<u>7,345</u>
Other assets			
Cash at bank and in hand	12	560	721
Other	13	<u>267</u>	<u>321</u>
		<u>827</u>	<u>1,042</u>
Prepayments and accrued income			
Other prepayments and accrued income	14	2	9
Total assets		<u><u>13,250</u></u>	<u><u>18,962</u></u>

Balance Sheet

as at 31st December 2003

LIABILITIES	Notes	2003 £000	2002 £000
Capital and reserves			
Called up share capital	15	15	15
Profit and loss account	16	127	116
Shareholder's funds attributable to equity interests	17	142	131
Technical provisions			
Claims outstanding		11,285	15,566
Creditors			
Creditors arising out of direct insurance operations		8	55
Creditors arising out of reinsurance operations		288	-
Other creditors including taxation	18	1,527	3,210
		1,823	3,265
Total liabilities		13,250	18,962

Approved by the board of directors and signed on its behalf on 20th May 2004 by:



I W J Patrick
Director

Notes to the Financial Statements

31st December 2003

1 Accounting policies

a) Basis of Preparation

The financial statements have been prepared in compliance with Schedule 9A and other requirements of the Companies Act 1985 as amended by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993, and in accordance with applicable accounting standards.

b) Cash Flow Statements

Under Financial Reporting Standard Number 1, Cash Flow Statements, the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

c) Basis of accounting for underwriting business

The company underwrites insurance as a corporate member of Lloyd's on a number of syndicates managed by third parties. In view of the position as principal of underwriting members for the transactions of syndicates in which they participate, the attributable share of transactions undertaken by the syndicates has been included in the financial statements. The transactions are undertaken within premium trust funds applicable to the syndicates and profits arising from the underwriting may only be released in accordance with Lloyd's syndicate accounting rules, usually two years after the end of an underwriting year of account, and after satisfying Lloyd's solvency requirements for all years of account open at the time of release.

The Technical Account has been prepared by aggregating the company's share of the underwriting transactions (premiums, claims, expenses and investment income) of the syndicates of which the company is a member. These transactions relate to the calendar year ended 31st December 2003, with comparative figures for the year ended 31st December 2002. The underwriting information for the 2003 calendar year comprises the movements during 2003 on run-off years of account. The comparative figures comprise the movements during 2002 on the run-off years of account.

The result shown on the Technical Account for the year ended 31st December 2003 comprises the net profits of the movements during 2002 on run-off years of account.

The balance sheet of the company includes the company's shares of the assets and liabilities of the syndicates in which it participated for the run-off years of account at 31st December 2003 with comparative figures at 31st December 2002.

The Lloyd's syndicates in which the company participates are managed and controlled by their respective managing agents. The attributable share of the transactions, assets and liabilities of the syndicates included in the financial statements has been incorporated on the basis of audited information supplied by the managing agents to Lloyd's. Lloyd's has aggregated this information to provide the company with statements of the company's attributable share of those transactions, assets and liabilities.

Notes to the Financial Statements

31st December 2003

1 Accounting policies - continued

d) Premiums

Gross premiums written represent premiums receivable on business incepting during the underwriting year of account together with adjustments to premiums written in previous underwriting years of account and including estimates for 'pipeline' premiums. Gross written premiums are stated before deduction of commissions but exclusive of taxes, duties levied on premiums and other deductions.

Outward reinsurance premiums are accounted for in the same accounting period as the related direct insurance contracts or reinsurance contracts.

e) Investments

Other financial investments are those attributable to the company's share of the syndicates' investments and are shown at their current value at 31st December 2003.

f) Investment income

Investment income is accounted for on a receivable basis. Interest income is accrued up to the balance sheet date.

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

The company's non-syndicate investment income and other realised gains and losses are allocated to the non-technical account.

g) Technical provisions

The underwriting accounts for all classes of business are prepared on a three year basis, in accordance with Lloyd's normal practice. The excess of premiums written and syndicate investment income over the claims and syndicate expenses paid in respect of business incepting 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. The fund is included as part of outstanding claims.

Closed years of account

At the end of the third year, the underwriting account is normally closed by way of Reinsurance to Close ("RITC") into the following year of account. The amount of the RITC premium payable is determined by the managing agent who will make provision for the estimated cost of claims notified but not settled at the balance sheet date together with the estimated cost of claims incurred but not reported at that date and claims handling costs. Subsequent variations in these liabilities are borne by the year of account into which it is reinsured.

Run-off years of account

Where an underwriting year of account is not closed at the end of the third year ("a run-off" year of account) a provision is determined by the managing agent for the estimated cost of all known and unknown liabilities of that year, on a similar basis to the RITC process. Variations in this liability will remain to be borne by the corporate member. The directors give consideration to the potential for further deterioration of run-off years of account on the basis of information available at the time of drawing up the financial statements and make additional provisions where it is considered appropriate.

Notes to the Financial Statements

31st December 2003

1 Accounting policies – continued.

Claims outstanding

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson methods. Such methods extrapolate the development of paid and incurred claims, average cost per claim and ultimate claim numbers for each underwriting year, based upon the observed development of earlier years and expected loss ratios.

The main assumption underlying these techniques is that past claims development experience can be used to project ultimate claims costs. Judgement is used to assess the extent to which past trends may not apply in future, for example to reflect public attitudes to claiming or varying levels of claims inflation. The approach adopted takes into account, inter alia, the nature and materiality of the business and the type of data available.

Case estimates are generally set by skilled claims technicians applying their experience and knowledge to the circumstances of individual claims. Additional qualitative input, such as allowance for one-off occurrences or changes in legislation, policy conditions or portfolio mix, is used in arriving at the estimated ultimate cost of claims, in order that it represents the most likely outcome, from a range of possible outcomes, taking account of all the uncertainties involved.

Provisions are calculated allowing for reinsurance recoveries and a separate asset is recorded for the reinsurers' share, having regard to collectability.

h) Exchange rates

Syndicate assets, liabilities, income and expenditure expressed in US dollars and Canadian dollars are translated at the rates of exchange ruling at 31st December 2003. 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 technical account; other differences are dealt with in the non-technical account.

The company's own assets and liabilities expressed in foreign currency are translated at rates ruling at the balance sheet date.

i) Operating expenses

Operating expenses comprise the company's share of the operating expenses of the syndicates and the company's own expenses of underwriting. The company's underwriting expenses, which include items such as Lloyd's subscriptions and Central Fund contributions, together with fees and commissions payable to managing agents and the company's Lloyd's Adviser, are charged to the Technical Account in the financial period in which the relevant year of account is closed.

j) Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on the tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the Financial Statements

31st December 2003

2 Underwriting participations

The syndicates on which the company participates by underwriting year of account are as follows:

Syndicate Number	Class	Underwriter	1999 £000	1998 £000	1997 £000
205	Non-Marine	CG Jago	3,000	2,316	2,317
218	Motor	DR Heath	1,301	954	888
457	Marine	MC Watkins	-	2,316	2,317
588	Marine	N Metcalf	1,277	-	-
735	Marine	A Shone	-	-	193
800	Aviation	SD Clapham	2,000	-	-
807	Non-Marine	SD Mathers	650	-	-
839	Non-Marine	DJ Marshall	-	3,860	8,878
861	Composite	MRD Reith	4,000	-	-
957	Aviation	G Absalom	-	2,730	2,726
1009	Marine	DE Hope	3,000	4,257	4,246
1308	Marine	SE Spinney	2,250	1,544	-
Total Allocated Capacity			17,478	17,977	21,565

The 1999 year of account for syndicate 205, the 1997 and 1998 years of account for syndicate 957 and the 1998 and 1999 years of account for syndicate 1308 are still open.

Notes to the Financial Statements

31st December 2003

3 Segmental analysis

The following business has all been underwritten in the United Kingdom in the Lloyd's Insurance Market, which has been treated as one geographical segment for the purposes of Statement of Standard Accounting Practice No.25: Segmental reporting. Segmental information in the format required by the Companies Act 1985 is as follows:

Class of business	2003 Gross premiums written £000	2003 Gross claims incurred £000	2003 Operating expenses £000	2003 Reinsurance balance £000
Accident & health	277	753	(214)	(508)
Motor- third party liability	(6)	2	-	(4)
Motor - other classes	(14)	2	-	(1)
Marine, aviation and transport	4	590	(49)	(708)
Fire and other damage to property	(51)	52	(18)	(15)
Third party liability	(40)	98	(32)	(196)
Credit and suretyship	(8)	12	(4)	(1)
Legal expenses	(3)	10	-	(3)
Reinsurance acceptances	69	(313)	(90)	277
RITC	-	(224)	-	288
Total	228	982	(407)	(871)

Class of business	2002 Gross premiums written £000	2002 Gross claims incurred £000	2002 Operating expenses £000	2002 Reinsurance balance £000
Accident & health	877	1,003	(873)	(180)
Motor- third party liability	6	9	(7)	(12)
Motor - other classes	14	(13)	(17)	(7)
Marine, aviation and transport	(319)	88	(8)	407
Fire and other damage to property	(168)	213	(28)	221
Third party liability	1,195	(1,195)	(481)	170
Credit and suretyship	16	(34)	(16)	134
Legal expenses	8	8	(6)	(23)
Other	-	-	-	-
Reinsurance acceptances	894	315	(900)	(2,028)
RITC	70	3,131	(62)	(2,714)
Total	2,593	3,525	(2,398)	(4,032)

Notes to the Financial Statements

31st December 2003

4 Investment income

	2003 £000	2002 £000
Syndicate investment income	139	280
Syndicate realised investment (losses)/ gains	(65)	42
Interest received	16	-
	<u>90</u>	<u>322</u>
Attributed to technical account	74	322
Included in non-technical account	16	-
	<u>90</u>	<u>322</u>

5 Net operating expenses

	2003 £000	2002 £000
Commission / brokerage	29	1,832
Exchange adjustments	369	542
Syndicate operating expenses	9	24
	<u>407</u>	<u>2,398</u>
Share of syndicate net operating expenses		

6 Other charges

The following amounts are included in other charges:

	2003 £000	2002 £000
Audit fees	<u>1</u>	<u>1</u>

Notes to the Financial Statements

31st December 2003

7 Staff costs and directors' emoluments

No staff were employed by the company and the directors received no emoluments during the year (2002: none and £ nil).

8 Taxation on profit on ordinary activities

a) Analysis of (charge)/credit for the year	2003 £000	2002 £000
UK Corporation tax		
Current tax on profits for the year	(3)	(25)
Adjustments in respect of prior years	-	648
Current tax (charge)/credit	<u>(3)</u>	<u>623</u>

The tax (charge)/credit on profit for the year is based on a UK corporation tax rate of 30% (2002:30%)

b) Factors affecting tax (charge)/credit for the year

A reconciliation of the (charge)/credit that would result from applying the standard UK corporation tax rate to profit before tax to the current tax (charge)/credit for the year is given below

	2003 £000	2002 £000
Profit on ordinary activities before tax	14	7
Tax charge thereon at UK corporation tax rate of 30%	(3)	(2)
Factors affecting charge:		
Expenses not deductible for tax purposes	-	(23)
Other	-	-
Tax overprovided in previous years	-	648
Current tax (charge)/credit	<u>(3)</u>	<u>623</u>

The Company has no unprovided deferred tax liabilities.

9 Dividends

	2003 £000	2002 £000
Dividend paid	<u>-</u>	<u>750</u>

Notes to the Financial Statements

31st December 2003

10 Other financial investments

Other financial investments comprise the Company's attributable share of syndicate investments as follows:

	2003 £000	2002 £000
Interest-bearing deposits held as security by the Corporation of Lloyd's	96	-
Shares and other variable yield securities	-	6
Debt securities and other fixed interest securities	3,373	3,009
Deposits with credit institutions	59	3
	<u>3,528</u>	<u>3,018</u>

11 Other debtors

	2003 £000	2002 £000
Attributable share of syndicate other debtors	460	1,953
Amounts due from syndicates	-	416
Amounts due from group undertakings	1,412	1,422
Other	1	-
	<u>1,873</u>	<u>3,791</u>

12 Cash at bank and in hand

	2003 £000	2002 £000
Deposit accounts	-	(8)
Attributable share of syndicate cash balances	560	729
	<u>560</u>	<u>721</u>

13 Other assets

	2003 £000	2002 £000
Attributable share of syndicate other assets	267	321
	<u>267</u>	<u>321</u>

Notes to the Financial Statements

31st December 2003

14 Other prepayments and accrued income

	2003 £000	2002 £000
Attributable share of syndicate prepayments	2	9
	<u>2</u>	<u>9</u>

15 Called up share capital

	2003 £000	2002 £000
Authorised		
1,500,000 Ordinary shares of £1 each	<u>1,500</u>	<u>1,500</u>
Allotted, issued and partly paid		
1,500,000 Ordinary shares of £1 each of which 1 penny has been paid up	<u>15</u>	<u>15</u>

16 Profit and loss account

	2003 £000	2002 £000
Balance at 1 st January	116	236
Retained profit/(loss) for the year	11	(120)
Balance at 31 st December	<u>127</u>	<u>116</u>

17 Reconciliation of movements in shareholder's funds

	2003 £000	2002 £000
Shareholder's funds at 1 st January	131	251
Retained profit/(loss) for the year	11	(120)
Shareholder's funds at 31 st December	<u>142</u>	<u>131</u>

Notes to the Financial Statements

31st December 2003

18 Other creditors including taxation

	2003 £000	2002 £000
Attributable share of syndicate other creditors	159	1,256
Amounts due to group undertakings	1,363	1,928
Taxation	3	26
Other	2	-
	<u>1,527</u>	<u>3,210</u>

19 Contingent liabilities

- a) The company has given an undertaking to the Society of Lloyd's, supported by New London Capital plc, that if one of the other corporate member subsidiaries of New London Capital plc fails to meet its obligations to Lloyd's, the company will assign to Lloyd's on demand its rights to current and future profits held in its Premium Trust Funds or contribute profits received out of the Trust Funds to the Central Fund of Lloyd's, until the amount owed by the defaulting subsidiary has been paid in full.
- b) A Reinsurance to Close ("RITC") is a particular type of reinsurance contract entered into by a Lloyd's syndicate. Under an RITC the underwriting members of a syndicate for one year of account agree with the underwriting members of the syndicate, or another syndicate, for a later year of account that the liabilities, known and unknown, of the reinsured year of account are borne by the later year of account. In consideration of this an RITC premium is paid. The RITC is technically a reinsurance and as such the payment of the RITC premium does not remove from the members of that year of account the ultimate responsibility for claims payable on the risks they have underwritten. If the reinsuring members under the RITC become insolvent, and the other components of the Lloyd's chain of security also fail, the reinsured members remain theoretically liable for the payment of any outstanding claims. In the opinion of the directors, the probabilities of the reinsurance security failing are remote and therefore payment of the RITC premium is conventionally treated as terminating a participation on a syndicate year of account.

20 Ultimate and immediate parent undertaking

The company's ultimate parent undertaking is Highway Insurance Holdings Plc, a company registered in England and Wales (Registered no. 2998217). The company's immediate parent undertaking is New London Capital Holdings Limited, a company registered in England and Wales (Registered no. 2859401). Copies of the accounts of Highway Insurance Holdings Plc can be obtained from their registered office at Highway House, 171 Kings Road, Brentwood, Essex CM14 4EJ.