

GULF UNDERWRITING LIMITED

(Registered Number 3780599)

DIRECTORS' REPORT AND ACCOUNTS

31 December 2008



GULF UNDERWRITING LIMITED

REPORT AND ACCOUNTS

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GULF UNDERWRITING LIMITED

DIRECTORS' REPORT

Directors' Report

The directors present their report and the financial statements for the year ended 31 December 2008.

Principal Activity and Business Review

The principal activity of the Company has been that of a dedicated corporate member of Lloyd's, providing underwriting capacity solely on Syndicate 205 for the underwriting years 2000 to 2002 inclusive. The 2000, 2001 and 2002 years of account of Syndicate 205 were closed by reinsurance as at 31 December 2007.

As a corporate member of Lloyd's the Company is required to remain in existence until all the liabilities for the years it participated in Syndicate 205 are paid. At some stage in the future it is the intention of the directors to seek a buyer for the Company outside the Travelers Group.

By a special resolution passed as a written resolution of the Company on 17 September 2008 and the sanction of an Order of the High Court of Justice dated 17 October 2008, the authorised share capital of the Company was reduced from £45,000,000, divided into 45,000,000 Ordinary Shares of £1 each, to £1, made up of one Ordinary Share of £1. At the same time the issued share capital was reduced from £39,796,495 divided into £39,796,495 ordinary shares of £1 each, to £1, made up of one ordinary share of £1, which has been issued and credited as fully paid.

An interim dividend of £7,780,117 was declared during the year. The dividend actually paid to the parent company totalled £7,732,487, leaving an amount of £47,630 to be paid.

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Company are as follows:

Liquidity Risk

This relates to the risk that the Company does not maintain sufficient liquid resources to meet liabilities as they fall due and the costs associated with early liquidation of a portfolio or the borrowing costs to avoid such liquidation.

Operational Risk

This is the risk of loss to the Company resulting from people, processes, systems or from external events. There can be considerable overlap with the other risk classes and the Company seeks to manage this risk through various processes, policies and procedures.

Group Risk

This relates to the potential impact of risks arising in other parts of the Travelers group. The main sources of risk arise from the Company being impacted by reputational damage or financial impairment of the group. The Company continues to monitor group risk although this risk is assessed as being de minimis.

Key Performance Indicators

The profit after tax for the current year is £825,000 (2007: profit £1,475,000). Shareholders' funds have reduced to £887,000 following the declaration of an interim dividend of £7,780,017.

Post balance sheet event

Subsequent to the year end, on 5 March 2009, the Company moved its registered office to Exchequer Court, 33 St Mary Axe, London, EC3A 8AG. (Previously 60 Gracechurch Street, London, EC3V 0HR).

GULF UNDERWRITING LIMITED

DIRECTORS' REPORT

Results and Dividends

The result for the year is set out in the Profit and Loss Account on pages 6 and 7. An interim dividend in respect of the year ended 31 December 2008 of £7,780,117(2007: £Nil) was declared during the year.

Directors and Directors' Interests

The current directors of the Company, and those who served during 2008, are shown below:

A G Bishop	Appointed 23 July 2008
H G Eyre	Resigned 9 January 2009
S Belden	
M Lowton	Resigned 11 July 2008

None of the Directors who held office at the end of the financial year had any disclosable interest in the shares of the Company.

Creditor Payment Policy

Payments are made to creditors in accordance with agreed terms.

Disclosure of Information to the Auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

GULF UNDERWRITING LIMITED

DIRECTORS' REPORT

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business. The financial statements have been prepared on a break up basis. The effect of this is explained in note 1 of the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.

Auditors

Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office.



By Order of the Board

A G Bishop
Director

29 July 2009

Exchequer Court
33 St Mary Axe
London
EC3A 8AG

GULF UNDERWRITING LIMITED

REPORT OF THE AUDITORS, KPMG AUDIT PLC, TO THE MEMBERS OF GULF UNDERWRITING LIMITED

Report of the auditors, KPMG Audit PLC, to the members of Gulf Underwriting Limited

We have audited the financial statements of Gulf Underwriting Limited for the year ended 31 December 2008, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

As described in the Statement of Directors' Responsibilities on page 4, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
KPMG Audit Plc
Chartered Accountants
Registered Auditor

28 July 2009
8 Salisbury Square
London EC4Y 8BB

GULF UNDERWRITING LIMITED

Profit & Loss Account Technical Account - General Business For the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Gross written premiums	3	-	118
Outward reinsurance premiums		(14,999)	(3)
Net written premiums/net earned premiums		(14,999)	115
Allocated investment returns transferred from the Non-Technical Account		-	1,119
		(14,999)	1,234
Claims paid			
Gross amount	3	-	(5,961)
Reinsurers' share		-	2,560
Net of reinsurance		-	(3,401)
Change in the provision for claims			
Gross amount	3	15,097	7,974
Reinsurers' share		(98)	(2,865)
Net of reinsurance		14,999	5,109
Claims incurred net of reinsurance		14,999	1,708
Operating expenses	3,7	-	(363)
Investment expenses and charges		-	(26)
		14,999	1,319
Balance on the technical account - general business		-	2,553

The notes on pages 9 to 16 form part of these financial statements.

GULF UNDERWRITING LIMITED

Profit & Loss Account Non -Technical Account - General Business For the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Balance on technical account: general business		-	2,553
Investment income	4	283	1,119
Allocated investment returns transferred to General Business Technical Account		-	(1,119)
Other charges		(53)	(185)
Profit on ordinary activities before taxation	5	<u>230</u>	<u>2,368</u>
Tax on ordinary activities	8	595	(893)
Profit for the financial year		<u><u>825</u></u>	<u><u>1,475</u></u>

The Company has no recognised gains or losses other than the profit for the year and accordingly no statement of total recognised gains and losses has been prepared. The result for the year relates wholly to discontinued operations.

The notes on pages 9 to 16 form part of these financial statements.

GULF UNDERWRITING LIMITED

Balance Sheet At 31 December 2008

	Notes	2008 £'000	2007 £'000
ASSETS			
Investments			
Other financial investments	9	-	19,416
Reinsurers' share of technical provisions			
Provision for outstanding claims		-	98
Debtors			
Arising out of reinsurance operations		-	2,049
Other debtors	11	1,182	9,235
Cash at bank		51	2,621
Overseas deposits		-	1,039
		<u>1,233</u>	<u>34,458</u>
LIABILITIES AND RESERVES			
Called-up share capital	10	-	39,796
Profit and loss account	12	887	(31,954)
Total shareholders' funds	13	<u>887</u>	<u>7,842</u>
Technical provisions			
Provision for outstanding claims		-	15,097
Provision for other risks and charges			
Deferred taxation	14	-	728
Creditors			
Arising out of direct insurance operations		-	1,261
Other creditors and taxation	15	346	382
Accruals and deferred income		-	228
Other creditors		-	8,920
		<u>1,233</u>	<u>34,458</u>

These financial statements were approved by the Board of Directors on 28 July 2009.


A G Bishop
Director

The notes on pages 9 to 16 form part of these financial statements.

GULF UNDERWRITING LIMITED

Notes to the financial statements

1. BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards in the UK and Section 255 of and Schedule 9A of the Companies Act 1985 and with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") in December 2005 (as amended in 2006). As a consequence, the financial statements include statements of the transactions, assets and liabilities of the syndicate on which it participated as a corporate member of Lloyd's.

In 2002 it was no longer deemed appropriate to prepare the financial statements on a going concern basis because the funds at Lloyd's did not meet the Company's share of liabilities of Syndicate 205. The issue of additional share capital in 2004 and 2005 and an overall improvement in the syndicate results during that period had resulted in the Company having positive shareholders' funds. However, in view of the decision to make the Company dormant in due course, the directors remain of the view that it is appropriate to continue to prepare the Company's accounts on a break up basis.

In accordance with FRS 1(Revised), the Company is not required to prepare a cashflow statement as it is a wholly owned subsidiary.

The Company has taken advantage of the exemption contained in FRS 8 not to disclose transactions with entities which form part of the Travelers Group.

2. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, are set out below:

Basis of accounting for underwriting business

The underwriting results are determined on an annual accounting basis.

Underwriting transactions

The underwriting account has been prepared by taking the Company's share of the underwriting transactions (premiums, claims, expenses and investment income) of Lloyd's Syndicate 205. The syndicate's revenue and balance sheet information is made up on a calendar year basis and is incorporated in the accounts on that basis.

Premiums

Written premiums, gross of commission payable to intermediaries, comprise the estimated premiums on contracts entered into in a financial year, regardless of whether such amounts may relate in whole or in part to a later financial year, exclusive of taxes and duties levied on premiums.

Premiums written include adjustments to premiums written in prior accounting periods and estimates for "pipeline" premiums. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or inwards reinsurance business.

Acquisition costs

Acquisition costs directly related to the production of business, comprising commission, brokerage and other deductions, and relevant internal expenses, are deferred and amortised over the period in which the related premiums are earned.

Claims incurred

Claims incurred include all claims and claim settlement expenses made in respect of the financial year and the movement in provision for outstanding claims and settlement expenses, and include claims incurred, but not reported ('IBNR') and a provision for claims handling costs.

GULF UNDERWRITING LIMITED

Notes to the financial statements

2. ACCOUNTING POLICIES (continued)

Claims outstanding

Full provision is made on an individual case basis for the estimated cost of claims notified but not yet settled by the balance sheet date after taking into account handling costs and settlement trends. A provision for claims incurred but not reported is established on a statistical basis. The level of provisions has been set on the basis of the information which is currently available, including potential outstanding claims advices and case law. The methods used and estimates made are reviewed regularly. Whilst the directors consider the gross provision for claims and the related reinsurance recoveries to be fairly stated on the basis of the information currently available to them, the ultimate liability can vary materially as a result of subsequent information and events. Any difference, which may be material, between provisions and subsequent settlements will be dealt with in the accounts of later years.

Allocation of investment income

Unrealised gains and losses on investments represent the difference between the valuation of investments at the balance sheet date and previous valuation, unless acquired during the year, and are included in the Non-Technical Account.

The disclosure of the investment return (investment income, unrealised gains and losses, expenses and charges) includes an allocation from the General Business Non-Technical to Technical Account based on investments held against gross technical provisions.

Currency translation

All revenue transactions during the year denominated in currencies other than Sterling are recorded at the exchange rates ruling at that time. Assets and liabilities denominated in currencies other than Sterling are translated into Sterling at the exchange rates ruling at the year-end. Differences on exchange are dealt with in the Non-Technical Account.

Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the Balance Sheet date, except as otherwise required by FRS 19.

GULF UNDERWRITING LIMITED

Notes to the financial statements

3. SEGMENTAL INFORMATION

Year ended 31 December 2008	Gross premium written £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000
Direct business:					
Accident and health	-	498	-	(498)	-
Motor (third party liability)	-	873	-	(873)	-
Motor (other classes)	-	485	-	(485)	-
Marine, aviation and transport	-	204	-	(204)	-
Fire and other damage to property	-	1,845	-	(1,845)	-
Third party liability	-	6,683	-	(6,683)	-
Credit and suretyship	-	190	-	(190)	-
Legal expenses	-	102	-	(102)	-
Total direct business	-	10,880	-	(10,880)	-
Reinsurance business:					
Reinsurance acceptances	-	4,217	-	(4,217)	-
Total reinsurance business	-	4,217	-	(4,217)	-
Total	-	15,097	-	(15,097)	-

Year ended 31 December 2007	Gross premium written £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000
Direct business:					
Accident and health	1	33	(2)	4	36
Motor (third party liability)	(1)	406	(3)	(128)	274
Motor (other classes)	3	(20)	(11)	5	(23)
Marine, aviation and transport	(27)	61	(52)	128	110
Fire and other damage to property	4	148	(7)	(21)	124
Third party liability	66	2,090	(138)	(1,159)	859
Credit and suretyship	(1)	82	(2)	(104)	(25)
Legal expenses	-	38	-	(16)	22
Total direct business	45	2,838	(215)	(1,291)	1,377
Reinsurance business:					
Reinsurance acceptances	73	(825)	(148)	983	83
Total reinsurance business	73	(825)	(148)	983	83
Total	118	2,013	(363)	(308)	1,460

All business is written in the United Kingdom.

All business has all been underwritten in the Lloyd's insurance market, which has been treated as one geographical segment for the purpose of Statement of Accounting Practice No.25: "Segmental Reporting".

GULF UNDERWRITING LIMITED

Notes to the financial statements

4. INVESTMENT INCOME

	2008 £'000	2007 £'000
Investment income on syndicate participations	-	1,119
Bank interest income	4	-
Other income	279	-
	<u>283</u>	<u>1,119</u>

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging :

	2008 £'000	2007 £'000
Auditors' remuneration in respect of:		
Audit of these financial statements	13	12
Tax services	<u>4</u>	<u>4</u>

The auditors' remuneration was borne by The Travelers Companies, Inc. Group.

6. STAFF COSTS AND REMUNERATION OF DIRECTORS

All staff costs other than directors' remuneration are covered by a management charge from Jago Managing Agency Limited. No directors' remuneration has been charged during the year (2007: £Nil).

7. OPERATING EXPENSES

	2008 £'000	2007 £'000
Acquisition costs	-	24
Exchange adjustment	-	(4)
Administration expenses	53	343
	<u>53</u>	<u>363</u>

GULF UNDERWRITING LIMITED

Notes to the financial statements

8. TAXATION

	2008 £'000	2007 £'000
Analysis of charge in the period		
<i>UK corporation tax</i>		
Current year on income for the period	80	165
Adjustments in respect of prior periods	53	-
Total current tax charge	133	165
Deferred tax (see note 14)	(728)	728
Tax on ordinary activities	(595)	893

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2007: lower) than the standard rate of corporation tax in the UK of 28.5% (see note below) (2007: 30%). The differences are explained below:

	2008 £'000	2007 £'000
Current tax reconciliation		
Profit on ordinary activities before taxation	230	2,368
Current tax at 28.5% (see note below) (2007: 30%)	66	710
Effects of:		
Timing difference on the recognition of the underwriting result for tax purposes	700	(545)
Utilisation of tax losses within the Group at no cost	(686)	-
Adjustments in respect of prior periods	53	-
Total current tax charge	133	165

As the standard rate of corporation tax was amended to 28% on 1 April 2008, a composite rate of 28.5% has been used for the 2008 calendar year.

GULF UNDERWRITING LIMITED

Notes to the financial statements

9. OTHER FINANCIAL INVESTMENTS

	2008 £'000	2007 £'000
Syndicate participations :		
Debt securities and other fixed interest securities :		
Historic cost	-	19,350
Unrealised gain on investments	-	65
Market value	-	19,415
Deposits with ceding undertakings	-	1
	-	19,416

10. CALLED UP SHARE CAPITAL

Ordinary shares of £1 each, authorised, allotted, called up and fully paid:

	2008 £	2007 £
Authorised :		
Balance at 1 January	45,000,000	45,000,000
Reduction in authorised share capital during the year	(44,999,999)	-
Balance at 31 December	1	45,000,000
Allotted, issued and fully paid :		
Balance at 1 January	39,796,495	39,796,495
Reduction in issued share capital during the year	(39,796,494)	-
Balance at 31 December	1	39,796,495

By a special resolution passed as a written resolution of the Company on 17 September 2008 and the sanction of an Order of the High Court of Justice dated 17 October 2008, the authorised share capital of the Company was reduced from £45,000,000, divided into 45,000,000 Ordinary Shares of £1 each, to £1, made up of one Ordinary Share of £1 and the issued share capital reduced from £39,796,495 divided into 39,796,495 ordinary shares of £1 each, to £1, made up of one ordinary share of £1, which has been issued and credited as fully paid. The aggregate amount released was credited against the Company's Profit and Loss Account.

11. OTHER DEBTORS

	2008 £'000	2007 £'000
Syndicate participations :		
Other debtors	279	315
Company :		
Due from Syndicate 205	-	8,920
Amounts due from fellow group undertaking	903	-
	1,182	9,235

GULF UNDERWRITING LIMITED

Notes to the financial statements

12. SHAREHOLDERS' FUNDS

	Share Capital	Profit and Loss Account	Total
	£'000	£'000	£'000
Balance at 1 January 2008	39,796	(31,954)	7,842
Reduction in share capital	(39,796)	39,796	-
Profit for the financial year	-	825	825
Interim dividend declared	-	(7,780)	(7,780)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2008	-	887	887
	<hr/>	<hr/>	<hr/>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2008 £'000	2007 £'000
Balance at 1 January	7,842	6,367
Profit for the financial year	825	1,475
Interim dividend declared	(7,780)	-
	<hr/>	<hr/>
Balance at 31 December	887	7,842
	<hr/>	<hr/>

14. DEFERRED TAXATION

- (a) The amounts provided for deferred tax are set out below.
There are no amounts unprovided.

	2008 £'000	2007 £'000
Timing difference re tax recognition of underwriting result	<hr/> -	<hr/> 728

- (b) Movement in deferred tax

	2008 £'000	2007 £'000
Deferred tax liability brought forward	728	-
Deferred tax credit in income statement	(728)	-
	<hr/>	<hr/>
Deferred tax liability carried forward	-	728
	<hr/>	<hr/>

GULF UNDERWRITING LIMITED

Notes to the financial statements

15. OTHER CREDITORS INCLUDING TAXATION

	2008 £'000	2007 £'000
Syndicate participations :		
Other creditors	-	32
Company :		
Corporation tax	80	165
Lloyd's charges	-	185
Dividend payable	48	-
Amount due to fellow group undertakings	218	-
	<hr/> 346	<hr/> 382

16. CONTINGENT LIABILITIES AND GUARANTEES

The assets of the Company are subject to restrictions on use or transfer as follows:

The Company has entered into a Deposit Trust Deed with the Society of Lloyd's under which a residual cash amount of £16 (2007: £16) is deposited with Lloyd's as security in respect of its underwriting business. This amount can only be released with authority from Lloyd's.

As a corporate member of Lloyd's, the Company is required to remain in existence until the underwriting liabilities of its participation in Syndicate 205 are paid in full.

17. ULTIMATE PARENT COMPANY

As at 31 December 2008, the Company's immediate parent undertaking is Gulf Underwriting Holdings Limited. The parent undertaking of the smallest group of undertakings for which group accounts are drawn up is Gulf Insurance Holdings UK Limited. Both companies are incorporated in Great Britain and are currently going through the process of being put into Members Voluntary Liquidation.

The parent undertaking of the largest group of which the Company is a member and for which consolidated financial statements have been prepared is The Travelers Companies, Inc., a company incorporated in the United States of America.

The consolidated financial statements are available to the public and may be obtained from the Company's office at Exchequer Court, 33 St Mary Axe, London EC3A 8AG.