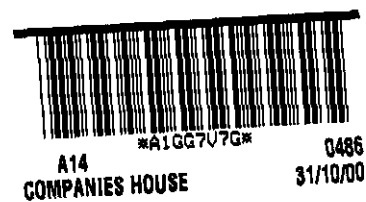


Gulf Underwriting Limited

**Directors' report and financial
statements**

For the seven month period from
incorporation on 1st June 1999 to
31st December 1999

Registered number 3780599



Directors' report and financial statements

Contents

Directors' report	1 - 2
Statement of directors' responsibilities	3
Report of the auditors' to the directors of Gulf Underwriting Limited	4
Profit and loss account	5
Balance sheet	6 - 7
Reconciliation of movements in shareholders' funds	8
Notes to the financial statements	9 - 11

Directors' report

The directors present their report and the audited financial statements for the period from incorporation on 1 June 1999 to 31 December 1999.

Principal activities

The principal activity of the company is to act as a corporate member of Lloyd's and to participate in the Lloyd's insurance market through the provision of underwriting capacity to syndicate 205 which underwrites insurance and reinsurance business.

Business review and results

The results of the company for the period are shown in detail on page 5.

The company was incorporated on 1 June 1999 and has not participated in Lloyd's syndicates for the 1999 year of account.

The company's participation in Lloyd's syndicate 205 for the 2000 underwriting year of account is £18.14 million of capacity.

Year 2000 compliance

The company's operations have not been significantly affected by the millennium issue and, given the nature of the Company's computer systems, the directors have concluded that they do not expect there to be any significant residual risks from this issue.

In the unlikely event of residual risk crystallising the directors believe there are sufficient contingency plans in place.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend.

The company has retained a loss for the period of £47,095.

Directors and directors' interests

The directors who held office during the year were as follows:

C E Watson	(appointed 8 th July 1999)
K W Ziegler	(appointed 8 th July 1999)
S K Bantis	(appointed 8 th July 1999)
R K Godfrey-Mahapatra	(appointed 30 th June 1999)
	(resigned 16 th July 1999)
M D Rutter	(appointed 30 th June 1999)
	(resigned 16 th July 1999)
Norton Rose Limited	(appointed 1 st June 1999)
	(resigned 30 th June 1999)
Norose Limited	(appointed 1 st June 1999)
	(resigned 30 th June 1999)

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

Directors' report *(continued)*

Auditors

Pursuant to Section 386 of the Companies Act 1985, a resolution is to be put to the forthcoming Annual General Meeting which, if passed, would result in the company not being required to reappoint its auditors annually. KPMG Audit Plc would then continue as the company's auditors.

By order of the board



J A Allen
Secretary

One America Square
Crosswall
London
EC3N 2LB

30 October 2000

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 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;
- 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 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 to 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.



KPMG Audit Plc

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Report of the auditors to the members of Gulf Underwriting Limited

We have audited the financial statements on pages 5 to 11.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, 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. 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 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 the information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1999 and of its result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

30 October 2000

Profit and loss account

for the period ended 31 December 1999

	Note	£	£
Profit and loss account:			
technical account - general business			
Premiums net of reinsurance:			
Gross premiums written		-	
Outward reinsurance premiums		-	
		<hr/>	
Investment income			-
			<hr/>
Claims incurred net of reinsurance			
Claims paid:			
Gross amount		-	
Reinsurers' share		-	
		<hr/>	
		-	
		<hr/>	
Change in the provisions for claims			
Gross amount		-	
Reinsurers' share		-	
		<hr/>	
		-	
		<hr/>	
			-
Net operating expenses	2		(47,095)
Investment expenses and charges			-
			<hr/>
Balance on technical account general business			(47,095)
			<hr/>
Profit and loss account:			
non-technical account			
Balance on the general business technical account			(47,095)
Investment income			-
Investment expenses and charges			-
Other income			-
Other charges			-
			<hr/>
Operating loss on ordinary activities before tax	3		(47,095)
Tax on loss on ordinary activities			-
			<hr/>
Loss for the financial year			(47,095)
			<hr/>

There were no other gains or losses recognised.

All of the company's activities relate to continuing activities.

Balance sheet

at 31 December 1999

	Note	£	£
ASSETS			
Intangible assets			
Purchased syndicate capacity	5		1,031,025
Investments			
Other financial investments		-	
Deposits with ceding undertakings		-	
		<hr/>	
Reinsurers' share of technical provisions			
Claims outstanding		-	
Debtors			
Debtors arising out of direct insurance operations		-	
Debtors arising out of reinsurance operations		-	
RITC received from earlier years		-	
Other debtors	7	1	
		<hr/>	
			1
Other assets			
Tangible assets		-	
Cash at bank and in hand		-	
		<hr/>	
Prepayments and accrued income			
			-
			<hr/>
Total assets			<u>1,031,026</u>

Balance sheet *(continued)*

at 31 December 1999

	<i>Note</i>	£	£
LIABILITIES			
Capital and reserves			
Called up share capital	9	1	
Profit and loss account		(47,095)	
			(47,094)
Technical provisions			
Claims outstanding			-
Provisions for other risks and charges			
Provisions for taxation			-
Creditors			
Creditors arising out of direct insurance operations		-	
Creditors arising out of reinsurance operations		-	
Amounts owed to credit institutions		-	
Other creditors including taxation and social security	8	1,078,120	
Accruals and deferred income			1,078,120
Total liabilities			1,031,026

These financial statements were approved by the board of directors on 30 October 2000 and were signed on its behalf by:

Kent W. Ziegler

Director

Reconciliation of movements in shareholders' funds

for the period ended 31 December 1999

	£
Retained loss for the financial period	(47,095)
Net addition to shareholders' funds	1
Opening shareholders' funds	-
	<hr/>
Closing shareholders' funds	(47,094)
	<hr/>

Notes to the financial statements

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985. The financial statements have also been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of investments.

The company was incorporated on 1 June 1999 and did not participate on any Lloyd's syndicates for the 1999 year of account.

Intangible assets

Purchased syndicate capacity is included in the balance sheet at cost and amortised over the directors' estimate of its useful economic life, currently 20 years. Amortisation is commenced in the first year in which underwriting profits from the capacity are recognised. Provision is made where necessary for impairment of the carrying amount of purchased capacity.

2 Net operating expenses

	£
Gross operating expenses	
Acquisition costs	-
Administrative expenses	47,095
	<hr/>
Personal expenses	-
Foreign exchange movement	-
	<hr/>
	47,095
	<hr/>

Notes (continued)

3 Loss on ordinary activities before tax

	£
<i>Is stated after charging</i>	
Auditor's remuneration:	
Audit	Nil
Amortisation	Nil
	<u> </u>

4 Remuneration of directors

	£
Directors' emoluments	Nil
Company contributions to money purchase pension schemes	Nil
	<u> </u>
	Nil
	<u> </u>

5 Intangible assets

	Purchased syndicate capacity £
<i>Cost</i>	
At beginning of period	-
Additions	1,031,025
	<u> </u>
At end of period	1,031,025
	<u> </u>
<i>Amortisation</i>	
Charge for the period	Nil
	<u> </u>
At end of period	Nil
	<u> </u>
At 31 December 1999	1,031,025
	<u> </u>

Notes (continued)

6 Assets

Underwriting at Lloyd's is supported by a letter of guarantee, issued on behalf of Gulf Underwriting Investments Limited by Citibank in favour of Lloyd's for £8,500,000.

7 Other debtors

	£
Amounts due from group undertakings	-
Other debtors	1
	<hr/> 1 <hr/>

8 Other creditors including taxation and social security

	£
Amounts due to group undertakings	1,031,025
Other creditors	47,095
	<hr/> 1,078,120 <hr/>

9 Called up Share capital

	£
<i>Authorised</i>	
100 ordinary shares of £1 each	100
	<hr/>
<i>Allotted, called up and fully paid</i>	
1 ordinary share of £1 each	1
	<hr/>

10 Ultimate parent company and parent undertaking of larger group of which the company is a member

As at 31st December 1999, the Company's immediate parent undertaking is Gulf Underwriting Holdings Limited, which is incorporated in the UK. The parent undertaking of the smallest group of undertakings for which group accounts are drawn up is Gulf Insurance Holdings UK Limited, which is also incorporated in the UK. The parent undertaking of the largest group of the undertakings for which Group accounts are drawn up and the ultimate parent company is Citigroup Inc., which is incorporated in the United States of America. Copies of both the above financial statements and the financial statements of the Travelers Insurance Group Inc. are available from Gulf Insurance Company U.K. Limited, Eastgate House, 40 Dukes Place, London EC3A 7NH.