4011330

GoshawK Dedicated (No2) Limited

Report and Accounts
31 December 2002

Registered No. 4011388

DIRECTORS

David S Hooker
Andrew J Gammell
Andrew S Fox

SECRETARY

Andrew S Fox

AUDITORS

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DIRECTORS' REPORT

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

RESULTS AND DIVIDENDS

The results of the year under review show a loss of £3,144,889 (2001 loss - £1,017,234) before taxation. The tax credit was £943,466 (2001 - £156,970). The directors recommend that no dividend should be paid (2001 - £nil).

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

GoshawK Dedicated (No2) Limited trades as a corporate member at Lloyd's solely underwriting on Syndicate 102 for the 2001 year of account onwards.

DIRECTORS AND THEIR INTERESTS

The directors of the company are detailed on the previous page.

None of the directors had any interest in the shares of the company.

A J Gammell and D S Hooker are Directors of GoshawK Insurance Holdings plc and their interests are disclosed in those accounts.

A S Fox's interest in the share capital of Goshawk Dedicated (No.2) Limited's ultimate parent company, GoshawK Insurance Holdings plc, is as follows:

	At 31 December 2002 Ordinary Shares of 5p	At 31 December 2001 Ordinary Shares of 5p
A S Fox	319,485	319,485

INTEREST IN OPTIONS

GoshawK Insurance Holdings plc has an Unapproved Executive Share Option scheme, established in 1996, and an Approved Share Option Plan established in 2000, whereby Group Directors and designated employees are able to subscribe for ordinary shares in that company.

The interests of the directors are as follows:

UNAPPROVED SCHEME

	Exercisable	Exercise Price p	At 1 January 2002	Granted during the year	At 31 December 2002
A S Fox	June 2003 to June 2007	55.0	157,500	-	157,500
	Nov 2003 to Nov 2007	90.5	5,000	-	5,000
	Nov 2004 to Nov 2008	98.0	30,000	-	30,000
	Nov 2005 to Nov 2009	84.0	-	40,000	40,000
					232,500

DIRECTORS' REPORT (continued)

APPROVED SCHEME

	Exercisable	Exercise Price p	Granted during the year	At 31 December 2002
A S Fox	Nov 2003 to Nov 2010	90.5	-	30,000

LONG TERM INCENTIVE PLAN

Goshawk Insurance Holding plc established a Long Term Incentive Plan in November 1999. Full details of the performance conditions are disclosed in those accounts, together with the interests of D S Hooker and A J Gammell. A S Fox had no interest in the Long Term Incentive Plan.

STATUS

The company has passed elective resolutions in accordance with the Companies Act 1985 to dispense with the holding of Annual General Meetings, the laying of reports and accounts before General Meetings and the appointing of auditors annually.

CREDITORS' PAYMENT POLICY

It is the company's payment policy to obtain the best terms from suppliers and to settle bills accordingly.

SHARE INCENTIVE PLAN

At the Annual General Meeting of GoshawK Insurance Holdings plc held on 30 May 2001 shareholders authorised the Directors of that Company to establish a Share Incentive "Plan" for all employees of the Group. On 19 April 2002 the Directors adopted the plan which was subsequently approved by the Inland Revenue on 1 May 2002.

Full details of the interests of D S Hooker and A J Gammell are disclosed in the Goshawk Insurance Holdings plc Accounts.

Name	Number of Shares
A S Fox	1,530

AUDITORS

Ernst & Young LLP will be re-appointed as the Company's auditor in accordance with the elective resolution passed by the Company under section 386 Companies Act 1985.

By order of the Board.

A S Fox
Secretary
30 May 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, the directors are required to :

- select suitable accounting policies and 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 accounts; and
- prepare the accounts 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 accounts 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.

INDEPENDENT AUDITORS' REPORT
To the members of Goshawk Dedicated (No.2) Limited

We have audited the company's financial statements for the year ended 31 December 2002 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 20. These financial statements have been prepared on the basis of 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 as at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
London

Ernst & Young LLP

30 May 2003

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2002

	Notes	2002 £	2001 £
TECHNICAL ACCOUNT - GENERAL BUSINESS			
Earned premiums net of reinsurance			
Gross premiums written		310,334,321	170,068,818
Outward reinsurance premiums		(131,940,648)	(67,767,164)
Net premiums written		178,393,673	102,301,654
Change in gross provision for unearned premiums		(74,647,027)	(46,704,013)
Change in the provision for unearned premiums – reinsurers' share		13,358,325	10,557,309
Change in the net provision for unearned premiums		(61,288,702)	(36,146,704)
Net earned premiums		117,104,971	66,154,950
Allocated investment income transferred from the non technical account	3	3,185,343	685,207
Total technical income		120,290,314	66,840,157
Claims incurred net of reinsurance			
Claims paid:			
Gross amount		(48,040,813)	(37,648,394)
Reinsurers' share		15,283,171	25,809,439
		(32,757,642)	(11,838,955)
Change in provision for claims:			
Gross amount		(162,324,079)	(62,242,582)
Reinsurers' share		125,202,142	34,431,430
		(37,121,937)	(27,811,152)
Net claims incurred		(69,879,579)	(39,650,107)
		50,410,735	27,190,050
Net operating expenses	4	(51,214,835)	(27,672,924)
Investment expenses and charges		(46,240)	(12,362)
Balance on technical account - general business		**(850,340)**	**(495,236)**

All operations are continuing.

The notes on pages 10 to 18 form part of these accounts and include details of the basis of preparation in note 1.

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2002

	Notes	2002 £	2001 £
NON TECHNICAL ACCOUNT			
Balance on technical account - general business		**(850,340)**	**(495,236)**
Investment income	3	1,474,441	737,881
Allocated investment income transferred to the technical account	3	(3,185,343)	(685,207)
Other charges (including amortisation)	5	(583,647)	(574,672)
Operating profit		(3,144,889)	(1,017,234)
Comprising:			
Operating (loss) (based on longer term investment return)		(1,433,987)	(1,069,908)
Short term fluctuations in investment return		(1,710,902)	52,674
		(3,144,889)	(1,017,234)
Loss on ordinary activities before taxation		**(3,144,889)**	**(1,017,234)**
Taxation	9	943,466	156,970
Loss on ordinary activities after taxation		**(2,201,423)**	**(860,264)**
Retained loss brought forward		**(891,090)**	**(30,826)**
Retained loss carried forward		**(3,092,513)**	**(891,090)**

All operations are continuing

There are no recognised gains or losses other than the loss for the year.

The notes on pages 10 to 18 form part of the accounts and include details of the basis of preparation in Note 1.

BALANCE SHEET
at 31 December 2002

	Note	2002 £	2001 £
ASSETS			
Intangible assets	8	8,892,000	9,386,000
Investments			
Other financial investments		59,672,162	20,234,006
Deposit with ceding undertaking		162,644	30,946
	10	59,834,806	20,264,952
Reinsurer's share of technical provisions			
Provisions for unearned premiums		23,077,776	10,557,309
Claims outstanding		157,275,361	34,431,430
		180,353,137	44,988,739
Debtors			
Debtors from direct reinsurance operations:			
Due from intermediaries		159,638,504	54,839,264
Debtors arising out of reinsurance operations		11,314,274	4,151,427
Deferred tax asset	11	1,092,037	148,571
Other debtors	12	4,766,814	225,729
		176,821,629	59,364,991
Other Assets			
Cash at bank and in hand		9,560,248	9,171,359
Other		3,501,484	1,260,448
		13,061,732	10,431,807
Prepayments and accrued income			
Deferred acquisition costs		25,347,570	12,289,647
Other prepayments and accrued income	13	1,709,849	1,280,107
		27,057,419	13,569,754
TOTAL ASSETS		**466,020,723**	**158,006,243**

The notes on pages 10 to 18 form part of the accounts and include details of the basis of preparation in Note 1.

BALANCE SHEET
at 31 December 2002

	Note	2002 £	2001 £
LIABILITIES			
Capital and Reserves			
Share capital		1	1
Profit and loss account		(3,092,513)	(891,090)
Shareholders' funds attributable to equity interest	14/15	(3,092,512)	(891,089)
Technical provision			
Provision for unearned premiums		117,972,446	46,704,013
Claims outstanding		221,564,567	63,212,296
		339,537,013	109,916,309
Creditors			
Creditors arising out of direct insurance operations		71,080,648	20,926,476
Creditors arising out of reinsurance operations		22,487,661	7,292,436
Other	16	10,116,595	9,982,223
		103,684,904	38,201,135
Accruals and deferred income		25,891,318	10,779,888
TOTAL LIABILITIES		**466,020,723**	**158,006,243**

Director

30 May 2003

The notes on pages 10 to 18 form part of the accounts and include details of the basis of preparation in Note 1.

NOTES TO THE ACCOUNTS
at 31 December 2002

1. ACCOUNTING POLICIES

Accounting convention
The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

The Company is dependent on continuing finance being made available by its ultimate parent company to enable it to continue operating and to meet its liabilities as they fall due.The ultimate parent company has provided sufficient funds for these purposes. The directors believe that it is therefore appropriate to prepare these accounts on a going concern basis.

The accounts have been prepared in compliance with the Section 255A of Schedule 9A and other requirements of the Companies Act 1985.

A cash flow statement has not been prepared, as permitted by FRS 1 (Revised), since the company is a wholly owned subsidiary.

a) Basis of Accounting for underwriting business

The Company underwrites as a corporate member of Lloyd's on Syndicate 102 and accounts on an annual accounting basis.

b) Syndicate Participations

i Premiums
Gross premiums written represent premiums on business incepting during the year together with adjustments to premiums written in previous accounting periods and estimates for "pipeline" premiums. Gross premiums written are stated before deduction of commissions but net of taxes, duties levied on premiums and other deductions.

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

ii Unearned Premiums
The provision for unearned premiums represents that part of gross premiums written and the reinsurers' share that is estimated to be earned after the balance sheet date.

iii Deferred Acquisition Costs
Acquisition costs represent the expenses, both direct and indirect, of acquiring insurance policies written during the financial period. Acquisition costs are deferred and amortised over the period in which the premium is earned. Deferred acquisition costs represent the proportion of acquisition costs incurred in respect of unearned premiums at the balance sheet date.

NOTES TO THE ACCOUNTS
at 31 December 2002

1. ACCOUNTING POLICIES (continued)

iv Claims

Claims incurred comprise claims and settlement expenses (both internal and external) paid in the year and the movement in provision for outstanding claims and settlement expenses, including an allowance for the cost of claims incurred by the balance sheet date but not reported until after the year end.

The provision for claims comprises amounts set aside for claims notified and claims incurred but not yet reported (IBNR). The provision is set by the active underwriter in conjunction with the Group's in house actuary. The actuary verifies the provision using statistical techniques of estimation. This is then subject to peer review by external consulting actuaries.

Such methods extrapolate the development of premiums, and paid and incurred claims for each year, based upon the observed development of earlier years and expected loss ratios. The main assumption underlying these techniques is that past claims experience can be used to project ultimate claims costs and that no changes to past trends, such as public attitudes to claiming or inflation occur. The approach adopted takes into account the nature and materiality of the business and the type of data available. Additional qualitative input, such as allowance for one off occurrences or changes in legislation, policy conditions or portfolio mix, is also used in arriving at the estimated ultimate cost of claims, in order that it represents the most likely outcome taking account of all uncertainties involved.

Provisions are calculated allowing for reinsurance recoveries and a separate asset is recorded for reinsurers' share, having regard to collectability based on Standard and Poor's credit ratings of reinsurers.

While the directors consider that the provisions for claims outstanding are fairly stated on the basis of the information available to them at the date of these accounts, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the losses forseen. Adjustments to the amounts of the provisions are reflected in the accounts for the period in which the adjustments are made.

v Unexpired Risk Provisions

A provision for unexpired risks is made when it is anticipated that unearned premiums will be insufficient to meet future claims and claims settlement expenses of business in force at the period end. The provision for unexpired risks is included within technical provisions in the balance sheet.

c) Exchange Rates

Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of transactions. At the balance sheet date, monetary assets and liabilities are translated at the year end rates of exchange. Exchange profits or losses arising from transactions are taken to the profit and loss account. Exchange differences arising from the retranslation of the opening net investment in foreign business operations are taken to reserves.

d) Investment Income

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 constituted by the year of account. Investment income and all investment gains and losses (realised and unrealised) relating to syndicate investments and cash are included in the non-technical account and transferred to the technical account.

NOTES TO THE ACCOUNTS (continued)
at 31 December 2002

e) **Operating Expenses**
Operating expenses include the Company's share of syndicate operating expenses. 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 are charged to the technical account.

f) **Deferred Taxation**
Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transaction or events have occurred at that date that will result in an obligation to pay more or to pay less or to receive more tax with the following exceptions:

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- deferred tax assets are recognised only to the extent that the directors consider that 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 tax rates and laws enacted or substantively enacted at the balance sheet date.

g) **Intangible assets**
Syndicate participations at Lloyd's acquired from a fellow subsidiary are carried in these accounts at cost less amortisation. In accordance with Technical Release 1/99, Accounting by Lloyd's Corporate Capital Vehicles, issued by the ICAEW, the acquired capacity will be amortised over the useful life. This life is assumed to be 20 years.
In accordance with the Technical Release, acquired capacity will be reviewed for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

2. SEGMENTAL INFORMATION

2002	Marine Aviation & Transport	Third Party Liability	Fire & Other Damage to Property	Other Direct	Reinsurance accepted	Total
Gross premiums written	145,636,278	35,842,459	46,711,384	26,203,679	55,940,521	310,334,321
Gross premiums earned	110,605,299	27,221,005	35,475,547	19,900,713	42,484,730	235,687,294
Gross claims incurred	(79,294,278)	(2,702,540)	(25,289,895)	(28,397,300)	(74,680,879)	(210,364,892)
Gross operating expenses	(23,759,989)	(6,345,039)	(7,979,867)	(4,123,725)	(9,006,215)	(51,214,835)
Gross technical result	7,551,032	18,173,426	2,205,785	(12,620,312)	(41,202,364)	(25,892,433)
Reinsurance balance	10,194,823	2,753,189	2,633,485	4,137,602	2,183,891	21,902,990
Investment expenses and charges						(46,240)
Allocated investment return						3,185,343
Balance on technical account						(850,340)

NOTES TO THE ACCOUNTS (continued)
at 31 December 2002

2. SEGMENTAL INFORMATION (continued)

	Marine Aviation & Transport	Third Party Liability	Fire & Other Damage to Property	Other Direct	Reinsurance accepted	Total
2001						
Gross premiums written	37,964,095	6,463,786	18,681,973	50,297,803	56,661,161	170,068,818
Gross premiums earned	27,538,459	4,688,712	13,551,561	36,485,105	41,100,968	123,364,805
Gross claims incurred	(25,869,536)	(2,895,764)	(11,393,872)	(34,478,984)	(25,252,820)	(99,890,976)
Gross operating expenses	(7,166,670)	(802,217)	(3,156,459)	(9,551,757)	(6,995,821)	(27,672,924)
Gross technical result	(5,497,747)	990,731	(998,770)	(7,545,636)	8,852,327	(4,199,095)
Reinsurance balance	784,965	87,867	345,727	1,046,203	766,252	3,031,014
Investment expenses and charges						(12,362)
Allocated investment return						685,207
Balance on technical account						(495,236)

3. INVESTMENT INCOME

	2002 £	2001 £
Total investment return	1,474,441	737,881
Analysed as:		
Investment return from managed syndicates	3,185,343	685,207
Transferred to the technical account	3,185,343	685,207
Net investment return	3,185,343	685,207
Short term fluctuations in investments	(1,710,902)	52,674
Total investment return	1,474,441	737,881

4. OPERATING EXPENSES

	2002 £	2001 £
Acquisition costs		
- commission in respect of direct business	45,681,631	28,461,837
- commission in respect of reinsurance business	6,345,516	4,683,426
- other	4,101,909	3,024,238
Change in deferred acquisition costs	(13,841,951)	(12,289,647)
Administrative expenses	8,204,915	3,721,485
Exchange adjustment	722,815	71,585
	51,214,835	27,672,924

NOTES TO THE ACCOUNTS (continued)
at 31 December 2002

5. OTHER CHARGES (including amortisation)

	2002 £	2001 £
Salaries and related expenses	70,931	55,259
Legal and professional charges	7,417	16,548
Amortisation charge	494,000	494,000
Printing and stationery	998	189
Other	10,301	8,676
	583,647	574,672

Included within professional fees is Auditors' remuneration in respect of audit services amounting to £6,601 (2001 - £5,000).

6. DIRECTORS' EMOLUMENTS

	2002 £	2001 £
Emoluments	9,617	7,051
Company contributions paid to money purchase pension schemes	1,419	1,049

7. STAFF COSTS

	2002 £	2001 £
Wages and salaries (including directors' emoluments)	55,334	43,122
Social security costs	6,179	4,777
Pension costs	7,835	5,856
Other costs	1,583	1,504
	70,931	55,259

The average weekly number of employees was made up as follows:

	2002 No	2001 No
Management	2	2
Administration	1	1
	3	3

NOTES TO THE ACCOUNTS (continued)
at 31 December 2002

8. INTANGIBLE ASSETS

	Syndicate Participations £
Cost:	
At 1 January 2002	9,880,000
Additions	-
At 31 December 2002	9,880,000
Accumulated amortisation:	
At 1 January 2002	494,000
Charge for the year	494,000
At 31 December 2002	988,000
Net book value:	
At 31 December 2001	9,386,000
At 31 December 2002	8,892,000

9. TAX ON LOSS ON ORDINARY ACTIVITIES

a) Taxation credit

The credit is made up as follows:

	2002 £	2001 £
Based on the loss for the year:		
Corporation tax charge at 30% (2001 – 30%)	-	(8,399)
Movement in deferred tax	(943,466)	(148,571)
	(943,466)	(156,970)

b) Factors affecting the tax credit for the year
The tax credit based on the loss for the year comprises:

	2002 £	2001 £
Loss on ordinary activities before tax	(3,144,889)	(1,017,234)
Loss on ordinary activities before tax at 30%	943,466	305,170
Effects of:		
Deferred tax credit in respect of current year loss	-	148,200
	-	-

NOTES TO THE ACCOUNTS (continued)
at 31 December 2002

10. INVESTMENTS

	2002 £	2001 £
Shares and other variable yield securities	-	4,618
Debt securities and other fixed income securities	55,625,637	20,229,388
Deposits with credit institutions	4,046,525	-
Deposit with ceding undertaking	162,644	30,946
	59,834,806	20,264,952

11. OTHER DEBTORS

	2002 £	2001 £
Provision in respect of trading losses	1,092,037	148,571
	1,092,037	148,571

12. OTHER DEBTORS

	2002 £	2001 £
H M Customs and Excise	792	884
Corporation tax debtor	-	8,399
Amounts due from parent undertaking	1	1
Syndicate debtors	4,776,021	216,445
	4,766,814	225,729

13. PREPAYMENTS AND ACCRUED INCOME

	2002 £	2001 £
Prepayments	2,676	2,105
Syndicate accrued income	1,707,173	1,278,002
	1,709,849	1,280,107

14. SHARE CAPITAL

	Authorised 2002 No.	Allotted, called up, fully paid 2002 £	Authorised 2001 No.	Allotted, called up, fully paid 2001 £
Ordinary shares of £1 each	1,000	1	1,000	1

NOTES TO THE ACCOUNTS (continued)
at 31 December 2002

15. RECONCILIATION OF SHAREHOLDERS' FUNDS

	Share Capital £	Profit and Loss Account £	Total £
At 1 January 2002	1	(891,090)	(891,089)
Loss for the year	-	(2,201,423)	(2,201,423)
At 31 December 2002	1	(3,092,513)	(3,092,512)

16. OTHER CREDITORS

	2002 £	2001 £
Amounts due to fellow subsidiary	10,045,081	9,980,380
Corporation tax creditor	15,803	-
Syndicate creditors	55,711	1,843
	10,116,595	9,982,223

17. PARENT UNDERTAKING AND CONTROLLING PARTY

The company's ultimate parent undertaking and in the directors' opinion the controlling party is GoshawK Insurance Holdings plc., which is incorporated in the United Kingdom. Copies of its group accounts, which include the company, are available from 38 St Mary Axe, London, EC3A 8EX.

18. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption under FRS 8 from disclosing transactions with fellow subsidiaries of the ultimate parent company on the grounds that it is wholly owned.

19. COVENANT MADE BY ULTIMATE PARENT COMPANY

A fixed and floating charge over the investment portfolio and other cash assets secure the obligation to Lloyd's in respect of the underwriting activities of the corporate member subsidiaries. The total guarantee given by GoshawK Insurance Holdings plc under a deed of covenant amounts to £43,182,985. The guarantee supports the corporate member's participations for the 1997 - 2003 years of account. Lloyd's has the right to retain the income on the charged investments although it is not expected to exercise this right. As liability under the deed of covenant is limited to a fixed and monetary amount, the enforcement by Lloyd's of the deed of covenant in the event of a default by a corporate member may, where the total value of investments has fallen below the total of all amounts covenanted, result in the appropriation of a share of the Group's funds at Lloyd's that is greater than the proportion which that corporate member's overall premium bears to the overall premium of the Group.. In the event that any corporate member makes a loss which is not satisfied, the Company is obliged to procure that its other members, if required by Lloyd's, stop or reduce underwriting and that any profit in their respective Premiums Trust Funds is paid to the Central Fund to meet the losses of the relevant corporate member.

NOTES TO THE ACCOUNTS (continued)
at 31 December 2002

20. GUARANTEE FOR ULTIMATE PARENT COMPANY

During 1999, 2000 and 2001 Fleet Boston Financial provided Letters of Credit in favour of Lloyd's in respect of subsidiary companies of GoshawK Insurance Holdings plc underwriting as corporate members. The Letters of Credit for 1999 and 2000 amounted to £15,000,000 and for 2001 £20,000,000. The Letters of Credit were secured by a charge over a Key Man Life Assurance policy and by a guarantee from Goshawk Syndicate Management Ltd, Goshawk Capital Ltd, Goshawk Dedicated Ltd, Goshawk Dedicated (No2) Ltd, MLIT Holdings Ltd and Matheson Lloyd's Investment Trust plc in respect of all the obligations of the Company to the Bank in respect of the facility.

On 1 January 2002 replacement Letters of Credit for £20,000,000 were provided by Barclays Bank plc., in favour of Lloyd's in respect of subsidiary companies of GoshawK Insurance Holdings plc underwriting as corporate members. The Letters of Credit are secured by a charge over a £5,000,000 cash deposit, by a guarantee and a debenture from GoshawK Insurance Holdings plc, and all subsidiary companies with the exception of GoshawK Reinsurance Ltd, GK Dwyer Ltd and GoshawK Security Insurance Ltd in respect of all the obligations of the Group to the Bank in respect of the Letters of Credit. The guarantee was amended to restrict the liability of Goshawk Syndicate Management Limited, a wholly owned subsidiary company of Goshawk Insurance Holdings plc, to Barclays Bank plc to £1,500,000 under this and the 24 December 2002 facility.

On 24 December 2002 Barclays Bank plc made available to GoshawK Insurance Holdings plc, the company's Ultimate Holdings Company, a Term Loan Facility for US Dollars 40 million. The facility is secured by a guarantee and a debenture from GoshawK Insurance Holdings plc and all subsidiary companies with the exception of GoshawK Reinsurance Ltd, GK Dwyer Ltd and GoshawK Security Insurance Ltd in respect of all the obligations of the Group to the Bank in respect of the Term Loan Facility. The liability of GoshawK Dedicated (No2) Limited in respect of this guarantee has not been capped.