

Reports & Financial Statements

For the year ended 31 December 2003

Euclidian (No.8) Limited

Company No: 4366831



EUCLIDIAN (NO.8) LIMITED

DIRECTORS:

A J Willoughby
J F Corrigan-Stuart

COMPANY SECRETARY:

K van der Klugt

REGISTERED OFFICE:

7 Birchlin Lane
LONDON EC3V 9BW

AUDITORS:

Mazars
24 Bevis Marks
LONDON EC3A 7NR

EUCLIDIAN (NO.8) LIMITED

CONTENTS

Page

Directors' Report

1

Independent Auditors' Report

3

Profit and Loss Account

4

Balance Sheet

6

Notes to the Financial Statements

8

EUCLIDIAN (NO.8) LIMITED

DIRECTORS' REPORT

The directors present their annual report, together with the accounts of the company for the year ended 31 December 2003.

RESULTS AND DIVIDENDS

The loss for the year to 31 December 2003 before taxation was £3,580,000 (2002: £nil) and the loss after taxation was £3,539,000 (2002: £nil).

The directors do not propose a final dividend for the year (2002: £Nil).

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The company's principal activity during the year was to act as a corporate member participating in the Lloyd's insurance market. The company continues to underwrite at Lloyd's for the 2004 year of account.

DIRECTORS

In accordance with the company's Articles of Association, none of the directors is required to retire from office at the annual general meeting.

The directors who held office throughout the year and to the date of this report are listed below:

J E MacGregor Truscott
J F Corrigan-Stuart
A J Willoughby

Resigned 30th July 2003

There are no directors' interests requiring disclosure under the Companies Act 1985.

The interests of directors in other group companies are disclosed in the directors' report of the ultimate holding company, Euc Re Limited.

AUDITORS

A resolution to re-appoint Mazars as auditors will be proposed at the forthcoming annual general meeting.

EUCLIDIAN (NO.8) LIMITED

DIRECTORS' REPORT (continued)

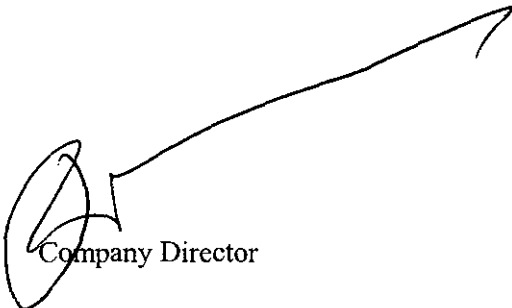
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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; 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Directors on 24/5/2004
and signed on its behalf by:



Company Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF EUCLIDIAN NO 8. LIMITED

We have audited the financial statements of Euclidian No. 8 Limited for the year ended 31 December 2003 which comprise the profit and loss account, balance sheet and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed asset investments and the accounting policies set out therein.

This report is made solely to the company's member 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 member those matters we are required to state to it 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 member for the audit work, for this report, or for the opinion 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 financial statements in accordance with applicable law and United Kingdom 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 misstatement within it.

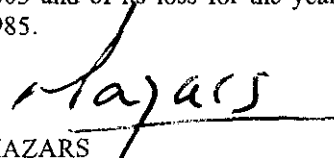
Basis of opinion

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


MAZARS
CHARTERED ACCOUNTANTS
and Registered Auditors
24 Bevis Marks
London EC3A 7NR

21 May 2004

EUCLIDIAN (NO.8) LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
TECHNICAL ACCOUNT - GENERAL BUSINESS			
Gross premiums written	3	31,940	-
Outward reinsurance premiums	3	(9,465)	-
		<hr/>	<hr/>
Earned premiums, net of reinsurance		22,475	-
Allocated investment return transferred from the non-technical account		12	-
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount	3	(1,998)	-
Reinsurers' share	3	-	-
		<hr/>	<hr/>
		(1,998)	-
Change in the provision for claims:			
Gross amount	3	(12,297)	-
Reinsurers' share	3	2,400	-
		<hr/>	<hr/>
		(9,897)	-
Claims incurred, net of reinsurance		(11,895)	-
Net operating expenses	4	(14,172)	-
		<hr/>	<hr/>
Balance transferred to the non-technical account		<u>(3,580)</u>	<u>-</u>

EUCLIDIAN (NO.8) LIMITED**PROFIT AND LOSS ACCOUNT****For the year ended 31 December 2003**

	Note	2003 £'000	2002 £'000
NON-TECHNICAL ACCOUNT			
Balance on the general business technical account		(3,580)	-
Investment income		12	-
Allocated investment return transferred to the general business technical account		(12)	-
		<u> </u>	<u> </u>
Loss on ordinary activities before tax	5	(3,580)	-
Taxation on loss on ordinary activities	6	41	-
		<u> </u>	<u> </u>
Loss on ordinary activities after tax	9	(3,539)	-
		<u> </u>	<u> </u>

The company has no gains or losses other than the loss for the year.

All items derive from continuing operations.

No operations were acquired or discontinued in the year.

EUCLIDIAN (NO.8) LIMITED

BALANCE SHEET as at 31 December 2003

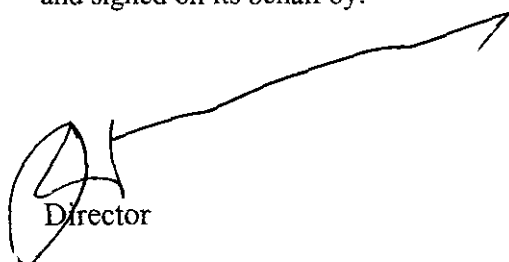
	Note	2003 £'000	2002 £'000
ASSETS			
INVESTMENTS			
Financial investments	7	884	-
REINSURERS' SHARE OF TECHNICAL PROVISIONS			
Claims outstanding		3,671	-
DEBTORS			
Debtors arising out of direct insurance operations:			
Due from intermediaries		13,690	-
Debtors arising out of reinsurance operations		5,608	-
Other debtors		33	-
		<u>19,331</u>	<u>-</u>
OTHER ASSETS			
Cash at bank and in hand		5,227	-
Other		216	-
		<u>5,443</u>	<u>-</u>
PREPAYMENTS AND ACCRUED INCOME			
Other prepayments and accrued income		5,938	-
		<u>35,267</u>	<u>-</u>
TOTAL ASSETS		<u><u>35,267</u></u>	<u><u>-</u></u>

EUCLIDIAN (NO.8) LIMITED

BALANCE SHEET as at 31 December 2003

	Note	2003 £'000	2002 £'000
LIABILITIES			
CAPITAL AND RESERVES			
Called up share capital	8,9	-	-
Profit and loss account	9	(3,539)	-
Shareholders' funds	9	<u>(3,539)</u>	<u>-</u>
TECHNICAL PROVISIONS			
Claims outstanding - gross amount		33,168	-
CREDITORS			
Creditors arising out of direct insurance operations		2,150	-
Creditors arising out of reinsurance operations		2,764	-
Other creditors including taxation and social security		585	-
Due to other group companies		106	-
		<u>5,605</u>	<u>-</u>
ACCRUALS AND DEFERRED INCOME			
		33	-
TOTAL LIABILITIES		<u><u>35,267</u></u>	<u><u>-</u></u>

Approved by the board of directors on 24/5 2004
and signed on its behalf by:


Director

EUCLIDIAN (NO.8) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(a) Basis of preparation

The financial statements are presented in accordance with the provisions of section 255 of and Schedule 9A to, the Companies Act 1985 and with the principal recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in November 2003.

(b) Recognition of insurance transactions

Preparing financial statements in accordance with Section 255 of and Schedule 9A to the Act and with the principal recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in November 2003 has required the company to recognise its proportion of all the transactions undertaken by the Lloyd's syndicate in which it participates ("the Syndicate") on an Annual Accounting basis.

2 ACCOUNTING POLICIES

(a) Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of financial investments.

(b) Basis of accounting for underwriting results

The results for all classes of business have been determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premium, net of reinsurance as set out below:

(c) Premiums

Premiums written relate to business incepted during the year, together with any differences between booked premiums for prior years and those previously, and include estimates of premiums due but not yet receivable or notified, less an allowance for cancellations.

(d) Unearned Premiums

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date

EUCLIDIAN (NO.8) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003 (continued)

2 ACCOUNTING POLICIES (continued)

(e) Acquisition costs

Acquisition costs represent commission and other expenses arising from the conclusion of insurance contracts. They are deferred over the period in which the related premiums are earned.

(f) Claims Incurred

Claims incurred comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from prior years. Where applicable deductions are made for salvage and other recoveries.

(g) Claims Outstanding

Claims outstanding represent the ultimate cost of settling all claims (including direct and indirect claims settlement costs) arising from events which have occurred up to the balance sheet date, including provision for claims incurred but not yet reported, less any amounts paid in respect of those claims. Claims outstanding are reduced by anticipated salvage and other recoveries.

Claims provisions have been established on a class of business basis for each year of account. The Underwriting and Management teams of the Syndicate conduct a quarterly review of each class of business for all years of account. Claims are projected to the ultimate position after 36 months and provision is made for known claims, and claims incurred but not reported.

(h) Net operating expenses

Operating expenses are charged in the year in which they were incurred.

(i) Annual Accounting basis

The principles of the annual basis of accounting for insurance business are applied to the underwriting transactions and balances of the syndicate. Results under the annual basis of accounting are estimated on the basis of premiums earned in the year as a proportion of the projected ultimate premiums for each syndicate year of account, together with any adjustments in relation to prior years. Premium earnings patterns are set on the basis of the Underwriter's and Internal Actuary's judgement. Major claims are allocated to the year in which they occur.

(j) Company Assets and Liabilities

The Company's proportion of assets and liabilities of Syndicate 1243 has been reflected in its Consolidated Balance Sheet. Syndicate assets are held subject to trust deeds for the benefit of the Syndicate's insurance creditors.

EUCLIDIAN (NO.8) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003 (continued)

2 ACCOUNTING POLICIES (continued)

(k) Investments

Listed and other traded investments are stated at mid market values. Other investments are stated at directors' valuations. Unrealised gains and losses are recognised in the profit and loss account.

(l) Investment income

Investment income comprises interest receivable and dividends received plus realised gains on the disposal of investments. Realised gains and losses arise from the difference between proceeds and valuation at the previous year end, or cost if there has been no previous revaluation.

Where investments represent the company's share of syndicate investments, they are treated as sold and repurchased at each year end in recognition of the annual venture nature of participation on a syndicate. The cost of these investments is therefore their market value at each 31 December. The realised gains reported by the Syndicate are net of any realised losses.

All investment income is allocated to the technical account.

(m) Investment expenses and charges

Investment expenses and charges comprise investment management expenses and losses on the realisation of investments. Realised losses arise from the difference between proceeds and valuation at the previous year end, or cost if there has been no previous revaluation. The realised losses reported by the Syndicate are net of any realised gains.

(n) Foreign currencies

Syndicate assets and liabilities expressed in US dollars and Canadian dollars are translated at rates of exchange ruling at 31 December. Underwriting transactions in other foreign currencies are included in the accounts at historical rates. Income and expenditure for the managed syndicate has been accounted for using average exchange rates as prescribed by Lloyd's. All differences on the translation of foreign currency amounts in the syndicates are dealt with in the profit and loss account.

EUCLIDIAN (NO.8) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003 (continued)

2 ACCOUNTING POLICIES (continued)

(o) Taxation

The company is taxed on its share of the underwriting results "declared" by the Syndicate and these are deemed to accrue evenly over the calendar year in which they are declared.

The Inland Revenue agrees the taxable results of Syndicates at a syndicate level on the basis of computations submitted by the Managing Agent. Any adjustments that may be necessary to the tax provisions established by the company as a result of Inland Revenue agreement of syndicate taxable results will be reflected in the financial statements of subsequent periods.

Other profits are recognised and assessable to corporation tax in the same period, after adjustment in accordance with tax legislation.

(p) Deferred taxation

Provision is made in full for deferred tax liabilities, using the liability method, on all material timing differences. Deferred tax is calculated at the rates at which it is expected that the tax will arise. Deferred tax is recognised in the profit and loss account for the period, except to the extent that it is attributable to a gain or loss that is recognised directly in the statement of total recognised gains and losses. Deferred tax balances are not discounted.

Deferred tax assets are recognised to the extent that they are regarded as recoverable. Assets are regarded as recoverable when it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

(q) Cash flow statement

The company is exempt from preparing a cash flow statement under FRS1 (Revised 1996) as greater than 90% of the corporate voting rights are held within the group whose consolidated financial statements, in which the company is included are publicly available.

EUCLIDIAN (NO.8) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2003 (continued)****3 SEGMENTAL INFORMATION**

Year ended 31 December 2003	Gross Premiums written £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000
<i>Direct Business</i>					
Accident and health	4,571	(2,970)	(1,868)	(495)	(762)
Motor – third party liability	-	-	-	-	-
Motor – other classes	1,051	(342)	(736)	(158)	(185)
Marine, aviation and transport	3,934	(1,818)	(1,633)	(1,263)	(780)
Fire and other damage to property	9,620	(5,847)	(4,239)	(2,998)	(3,464)
Third party liability	4,418	(1,216)	(1,142)	(701)	1,359
Other	322	(305)	(86)	3	(66)
Total Direct	23,916	(12,498)	(9,704)	(5,612)	(3,898)
<i>Reinsurance business</i>					
Other Reinsurance acceptances	8,024	(1,797)	(4,138)	(1,453)	636
Total	31,940	(14,295)	(13,842)	(7,065)	(3,262)

The company commenced underwriting on 1 January 2003 and therefore there is no comparative information.

All gross premiums are in respect of business written in the United Kingdom.

EUCLIDIAN (NO.8) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003 (continued)

4 NET OPERATING EXPENSES

	2003 £'000	2002 £'000
Acquisition costs	6,843	-
Administrative expenses	1,446	-
Profit on exchange	1,194	-
Personal expenses	4,689	-
	<u>14,172</u>	<u>-</u>

5 LOSS ON ORDINARY ACTIVITIES BEFORE TAX

	2003 £'000	2002 £'000
The loss on ordinary activities before tax is stated after charging:		
Auditors' remuneration - audit services	<u>4</u>	<u>-</u>

No staff were employed by the company.

No director received any emoluments for the company in the year (2002: £Nil).

6 TAXATION ON LOSS ON ORDINARY ACTIVITIES

(a) Analysis of tax in period

	2003 £'000	2002 £'000
Group relief	<u>(41)</u>	<u>-</u>
Tax credit for the period	<u>(41)</u>	<u>-</u>

EUCLIDIAN (NO.8) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003 (continued)

(b) Factors affecting the tax charge for the current period

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK: 30% (2002: 30%)

The differences are explained below:

	2003 £'000	2002 £'000
Loss on ordinary activities before tax	(3,580)	-
Tax at 30% thereon:	(1,074)	-
Balance on the Technical Account	1,074	-
Allowable expenses included within the technical account	-	-
Non syndicate expenses	(41)	-
Current tax credit for the period	(41)	-

7 FINANCIAL INVESTMENTS

	Syndicate	
	2003 £'000	2002 £'000
Current value		
Debt securities and other fixed interest securities	884	-
Of which:		
Listed on a recognised stock exchange	884	-
Cost		
Debt securities and other fixed income securities	605	-

8 SHARE CAPITAL

	Authorised £	Allotted, issued and fully paid £
At 31 December 2003 and 31 December 2002		
Ordinary shares of £1 each	1,000	2

EUCLIDIAN (NO.8) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003 (continued)

9 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 1 January 2003	-	-	-
Loss for the year	-	(3,539)	(3,539)
	<hr/>	<hr/>	<hr/>
At 31 December 2003	-	(3,539)	(3,539)
	<hr/>	<hr/>	<hr/>

10 RELATED PARTY DISCLOSURE

The company's capacity on the underwriting years on which it participates is entirely managed by Euclidian Underwriting Limited.

11 ULTIMATE HOLDING COMPANY

The immediate parent undertaking is Euclidian Holdings Limited. The ultimate parent undertaking is Euc Re Limited.

12 MAJOR NON-CASH TRANSACTIONS

Amounts in respect of transactions relating to the company's activities have been received and paid by other group companies and have, therefore, been accounted for via the inter company account.

13 GOING CONCERN

The Financial Statements have been prepared on a going concern basis as the Directors are of the opinion that the reinsurances purchased by the Company to protect the company from any further underwriting losses, and the current expectations of future profits make this appropriate.

14 COMMUTATION AGREEMENT

On the 31 December 2003 Euclidian (No 8) Limited commuted an excess of loss reinsurance contract provided by Centre Solutions (Bermuda) Limited ("Centre").

This reinsurance contract, known as The Gearing and Risk Sharing Agreement (GRSA) also provided Funds at Lloyd's to the company to underwrite at Lloyd's

The commutation agreement required that any remaining profits and future profits of the company arising from underwriting on the 2003 year of account to be paid to National Indemnity Company, a subsidiary of Berkshire Hathaway and Centre.