BROADGATE UNDERWRITING LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

(Registered Number: 3871308)

Contents

Report of the Directors

The directors present their annual report, together with the audited financial statements, for the year ended 31 December 2008.

Principal Activity

The Company is a corporate member of the Society of Lloyd's and underwrites solely via Lloyd's Syndicate 1301 ('the syndicate').

Results and Dividends

The loss for the year after taxation attributable to shareholders was £(4,447,393). (2007: Profit £6,594,883). Dividends totalling £8,700,000 were paid during the year (2007: £nil).

Review of the Business and Future Developments

The Company continues to underwrite only through Syndicate 1301 (The "Broadgate Syndicate" or the "Syndicate") which increased its underwriting capacity during the year to £75 million for the 2008 year of account. The directors remain confident that 2009 will see a return to positive results for the syndicate.

The Syndicate's key financial performance indicators during the year were as follows:

	2008	*2007*	*Change*
	£m	*£m*	*%*
Gross written premiums	77.8	68.8	+13.1
(Loss)/profit for the financial year	(4.4)	6.6	
Combined ratio†	109.8%	84.4%	

† The Combined ratio is the ratio of net claims incurred and net operating expenses to net premiums earned. A lower combined ratio represents better performance.

Underwriting Performance of Syndicate 1301

The 2008 year was a busy one for the Broadgate Syndicate after the previous year of consolidation. The Syndicate recruited a number of significant underwriters so as to enhance the existing portfolio and to continue the process of diversifying the account within the short tail area. Merv Albon joined the Syndicate to develop our Property Schemes account and Phil Roberts took the position of deputy underwriter to Kevin Clarke for the Direct and Facultative International Property account. Later in the year we were joined by Alan Clements and Mike Cernuschi two very experienced Bloodstock underwriters. Their aim is to develop a well balanced account over the next two years. The stamp capacity was increased to £75m to enable us to enhance our portfolio.

During 2008 the financial crisis grew as each month passed and the relative weakness of the pound led to higher premium volumes in sterling terms. Investment income was lower than in previous years but the Syndicate did not suffer unduly as the majority of the investments were in either cash or Government securities.

The Syndicate suffered two large single risk losses, during the calendar year, under the International Property account both of which relate to the 2007 underwriting year. These losses were Severstal for $12.4m and ISAB Energy for £7.5m. It should be noted that the 2008 calendar year saw a record number of single risk losses in the market totalling some $10billion. We are pleased to have avoided the majority of these. In addition to the two risk losses, the Syndicate was affected by Hurricane Ike on the 2008 year of account that caused widespread damage in Texas. Our current net loss from this event is $11m.

The Syndicate capital provider, Clal Insurance, has continued supporting the Syndicate throughout and shows very firm commitment for the future.

Gross written premiums were £77,782k and the combined ratio was 109.8% producing a technical loss of £5,594k for 2008.

Report of the Directors (continued)

We have seen further significant favourable reserve development on the 2006 underwriting year which after three years ended in an excellent profit of £11.5m. The 2007 underwriting year is forecast to make a small loss even though we were affected by the two large risk losses mentioned above. Despite the Ike loss the Treaty, Accident and Health and PA Cat accounts have run relatively well in 2008, and whilst the International Property account has been affected by some attrition losses we are confident that with favourable development of unexpired liability the underwriting year will be a positive one.

Business Profile

Broadgate Syndicate 1301 commenced trading on 1st July, 2000. Capacity is fully aligned and is provided by Broadgate Underwriting Limited, which is a wholly owned subsidiary of Clal Insurance Enterprises Holdings Limited.

The Syndicate is committed to developing as a short tail entity concentrating on specialist accounts within the Lloyd's market.

For 2008 the portfolio included the following lines of business:

Worldwide property treaty
International direct and facultative property
Worldwide property special risks (jewellers, fine art, specie)
Worldwide accident and health
Worldwide personal accident treaty
Worldwide bloodstock

Market conditions and pricing levels are significantly improving driven by the financial crisis. With investment income prospects looking increasingly poor Insurers and Reinsurers will need to concentrate on underwriting for profit. The effects of the financial crisis on the Insurance world have been varied. Many companies have lost ground due to being overweight in equities, whilst a few have been directly affected through their direct involvement in credit business. All of this coupled with the effects of Hurricane Ike will put upward pressure on prices in 2009.

The Syndicate is well placed to take advantage of the improving conditions and has great confidence that satisfactory profit levels can be generated. Furthermore the Syndicate will benefit from more diversity as the changes (addition of bloodstock account) effected in 2008 bear fruit in 2009.

International Property Account.

This account currently comprises single and multi-territory industrial and commercial risks written predominantly on an excess of loss basis. The Syndicate is an established lead in this sector and has produced good results since 2000.

During 2008 prices were badly eroded, with strong competition causing pressure on rating levels. Some areas were firmer, mainly in catastrophe exposed territories and in the last month of 2008 prices began to firm up. The Syndicate continues to maintain tight acceptance criteria, as is evidenced by the fact that we avoided many of the numerous losses that occurred in 2008.

As to the future, the Syndicate is delighted that Kevin Clarke is now assisted by Phil Roberts. This has brought new opportunities in the Direct and Facultative area. The Syndicate will continue to write some primary and selected full value business. The majority of the account will, however, continue to be excess layered business. The Syndicate will write more US business but with firm restrictions as regards catastrophe exposures.

Property Treaty Account.

Written new in 2005, following the transfer of the Great Lakes treaty team, the account continues to be well spread geographically. It is mainly non-proportional with the proportional account standing at just 25% of the treaty account.

Years 2006 and 2007 have been quiet as regards catastrophe losses and generally have been very satisfactory. As regards 2008, whilst affected by Hurricane Ike we are confident that the account will eventually turn in a healthy profit, although the underwriting year has still unexpired liability to run off.

For 2009, the Syndicate expects the premium base to grow as market conditions are much improved.

Property Special Risks Account.

This account is comprised of jewellers block risks emanating from Europe, the Far East, Australasia and the USA. In addition, a modest portfolio of Specie and private fine art is also written.

Renewal pricing in this area has remained fairly static but is now increasing by up to 5%. However, results have suffered from an increased loss activity driven by the poor economic environment.

The account will continue to grow in 2009 although income targets were not met in 2008, especially in fine art and Specie due to unacceptable rating conditions.

Accident & Health Account.

The Syndicate writes a specialist niche account covering aircrew, yacht and fishing vessel crews. General broker binders are not written.

The overall account continues to be profitable.

Rating levels are likely to remain relatively stable.

PA Catastrophe Account

During 2008 this account continued to be written on the Syndicate's behalf by Chaucer A/S in Copenhagen, Denmark.

The account comprised of worldwide catastrophe treaty business and our participation of 35% of all risks underwritten remain unaltered against 2007. This account has been written since 2003 and has shown consistent profitability.

For 2009 the Syndicate is taking a slightly different approach and has reduced its participation to 17.5%. The Syndicate has decided to employ its own underwriter for the class, Steven Hitch joined in January 2009. No significant growth is expected in 2009 although this will change somewhat in 2010 as the portfolio develops.

Outwards Reinsurance Arrangements.

As in previous years a comprehensive reinsurance programme is purchased by the Syndicate for each account, providing protection on a proportional and non proportional basis. The protections are arranged to increase gross line capacity and to give cover against catastrophe losses and single risk claims. Facultative reinsurances continue to be purchased, where deemed necessary, to protect the portfolio on a risk basis. The Syndicate's underwriting philosophy and strategy for each account is based on the need to make a gross and net underwriting profit.

Report of the Directors (continued)

International Property

The reinsurance programme purchased for this account for 2009 is broadly similar to the previous year, as is the panel of reinsurers.

The programme continues to be placed on a losses occurring basis with per risk capacity of up to $15m. Natural Perils cover within the per risk programme is maintained. Catastrophe cover totals £25m for both US and non US.

Property Treaty

The retrocession market has continued to be expensive. For 2009, the Syndicate purchased a programme very similar to that bought in 2008. We have vertical cover on a losses occurring basis of $30m plus additional vertical cover of £15m for certain specified territories. It is, however, important to note that cover bought matches exposure written in all countries, other than the European and Japanese windstorm scenarios where we leave the top £5m of aggregate un-reinsured. Our retention remains at $10m.

Property Special Risks

A specific risk and catastrophe programme is bought and this is unchanged in 2009. Layer limits purchased are £1m xs 0.5m, £2.5m xs £2.5m and £5m xs £5m, as we intend to write a slightly larger portfolio.

Accident and Health

This account produces relatively low accumulations and we have continued to buy up to £5m of cover, still on a risk attaching basis. We have maintained our retention at £500,000 on the first loss and £250,000 for the second, third and fourth losses.

PA Catastrophe

A specific retrocession catastrophe reinsurance programme has been renewed on a losses occurring basis for €2.625m xs €2.625m to cover the business received from Chaucer. This cover caters for the run-off at 35% and the ongoing exposures at 17.5%. We will put in place additional cover to protect our own writings.

Bloodstock

A specific programme has been arranged for this account for $1m xs $100,000.

2008 loss activity.

The Syndicate was affected by one event loss Hurricane Ike and is reserved at gross $12.5m.

Our first and second layer Risk Excess of Loss covering our International Property portfolio were affected by the Severstal and ISAB Energy losses.

Catastrophe losses experienced by the Syndicate in 2005, 2006 and 2007 have shown no significant deterioration.

Our retrocessional programme covering our Treaty portfolio has potential recoveries of $2.5m, which figure is included in our loss reserves. We have had a post year end notification of a loss for £2m gross £1m net under our Property Special Risks portfolio which is currently being investigated by loss adjusters.

All other reinsurance programmes were loss free in 2008.

Report of the Directors (continued)

Directors and their Interests

The following directors served during the period of review.

S. Bassat
A. Kaplan
O. Meir-Stacey
S. Talmon (Appointed as director 19 June 2008)

None of the directors held any interest in the shares of the Company.

Principal risks and uncertainties

The Syndicate's day to day management is performed by Chaucer Syndicates Limited ('CSL'), a Lloyd's registered managing agent. The principal risks and uncertainties faced by the Company arise through the syndicate. These risks and the controls put in place by Chaucer Syndicates Limited (the "Managing Agency") are set out below.

Underwriting risk

The Syndicate separately defines underwriting risk appetite in respect of market losses and syndicate-specific losses, with appetite for the former being greater.

Underwriting risk appetite is expressed at the highest level, as a maximum event-specific net underwriting loss as a percentage of syndicate capacity for a specific year of account. Detailed stochastic modelling of underwriting risk, both gross and net of reinsurance, using dynamic financial analysis techniques supports this approach.

The Syndicate manages underwriting risk through monthly reporting utilising centrally prepared detailed underwriting management information packs. The Syndicate reports to an Underwriting Board, which in turn, reports to the Managing Agency Board. This control process ensures that several layers of review occur for underwriting risks, with the focus being on the main components of risk, notably pricing, loss ratio selection, reserving, variations in experience, cycle management, reinsurance protection and catastrophe modelling.

Underwriting authorities, underwriting peer reviews of all risks, Independent Review procedures, Expert Review Committee procedures and the audit and review of delegated arrangements, all contribute to the strength of the underwriting control environment.

Underwriting exposure is controlled via risk policy coding systems, setting of maximum lines, setting of jurisdiction limits, strict underwriter authority limits, Realistic Disaster Scenario modelling, reinsurance programme design, policy limitations and exclusions, imposed deductibles and standard policy wording and coverage clauses.

The Syndicate records and monitors individual risk exposures on a regular basis to ensure they remain within the policies and guidelines set. Aggregations of risk are monitored using specialist software tools.

The Syndicate manages claims related risks by way of reinsurance and by a similar monitoring process to underwriting. There are strict claims handling authority limits and standard claims reports such as non-moving claims. Only approved third party adjustors and surveyors are used.

The Syndicate undertakes an extensive annual underwriting planning process in order to determine targets for premiums written and profitability for the coming year. Factors taken into account in determining the targets include the risk appetite set by a Risk and Capital Committee, anticipated policy pricing, terms and conditions, expected claims frequency and cost and reinsurance cost and efficacy.

Credit

A Security Committee reviews all reinsurer counterparties with whom the Syndicate wishes to conduct business and sets credit limits for the recoveries due from each reinsurer. The review includes an analysis of the financial strength of the reinsurer, its payment performance record and standing in the market. Thereafter, management of reinsurer credit risk follows active and regular review, with the assistance of outside expertise, of the credit rating and financial exposure to all approved reinsurers.

Report of the Directors (continued)

The Syndicate predominantly purchases reinsurance from reinsurers rated strong or better by Standard & Poor's (or equivalent). Maximum exposures per reinsurer are set in response to a reinsurer's rating and net assets.

Broker credit risk limits are also determined depending on the grading of the relevant broker and exposures monitored against limits on a monthly basis.

Reserving

The Syndicate's reserving policy seeks to ensure appropriate allowance for reserving risk and consistency in reserving from year to year.

Booked reserves represent the level of reserves booked at the Syndicate level. They are prepared on an underwriting year basis, and equal the actuarial best estimate reserves plus any reserve risk loadings. The intention of such risk loadings is to match areas within the Syndicate where the perception is that there is a risk that the best estimate reserve may be inadequate. Booked reserves provide the basis for the Syndicate results and forecasts. A Finance Committee, subject to approval by the Managing Agency Board, determines risk loadings within the booked reserves.

Actuarial best estimate reserves, which are prepared on an underwriting year basis are intended to be true best estimates, i.e. estimates of expected value claims reserves. These are the basis for internal reporting and the derivation of expected loss ratios for business planning. The actuarial best estimate reserves are the responsibility of the Group Actuary. The in-house actuarial team calculates the reserves in conjunction with extensive discussions with underwriting, claims and reinsurance staff.

Reserving risk is controlled by the robust application of actuarial methodologies, stepped sign-off procedures, quarterly tracking of projected ultimate loss ratios and reassessment of methodologies where appropriate, regular dialogue between actuaries and practitioners, and access to a history of loss data. Finally, the Syndicate applies explicit risk loadings in respect of the areas of greatest risk within the reserve assessment.

Investment strategy and risk management

The Managing Agency philosophy is that investment activities are complementary to the primary underwriting activities of the business and should not therefore divert or utilise financial resources otherwise available for insurance operations.

The preservation of capital and maintenance of sufficient liquidity to support the business and the enhancement of investment returns, within a set of defined risk constraints, are at the heart of the financial market risk policies adopted by the Managing Agency.

An Investment Committee is responsible for reviewing and amending asset allocations in accordance with investment risk constraints. Due regard is given to the outlook for each asset class because of changes in market conditions and investment returns. The Committee tests proposed asset allocations using stochastic modelling techniques prior to formal approval.

The Syndicate invests a significant proportion of funds in fixed income securities managed by professional portfolio managers. Each manager operates within a defined set of investment guidelines. The Investment Committee, which is responsible for selecting investment managers and individual funds, measures the performance of each manager against a benchmark that reflects the optimum return available under current market conditions and within the risk budget for the asset class.

Interest rate risk
The most significant proportion of risk within the Syndicate's fixed income portfolio is interest rate risk, which increases as the duration of each portfolio gets longer. In order to manage this risk duration constraints are set, relative to a benchmark, to provide downside protection for increases in interest rates although no limit is set for the minimum duration of each portfolio, enabling managers to switch to cash or variable rate securities if considered appropriate.

Report of the Directors (continued)

Currency risk
The Syndicate writes a significant proportion of insurance business in currencies other than sterling, which gives rise to a potential exposure to currency risk. The Syndicate mitigates this by adopting a policy of matching assets and liabilities, by currency for all exposures representing more than 5% of the assets of the business.

Liquidity risk
The Syndicate is subject to calls on cash resources, mainly in respect of claims on insurance business, on a daily basis. The Syndicate operates and maintains a liquidity risk policy designed to ensure that cash is available to settle liabilities and other obligations when due without excessive cost to the business.

The liquidity risk policy, which is subject to review and approval by a Risk and Capital Committee on an annual basis, sets limits for cash required to meet expected cash flows. It includes a contingency funding plan, which details the process and provisions for liquidating assets and/or raising additional funds required to meet liabilities in extreme circumstances.

Credit risk

Investments
The Syndicate holds the majority of its investments in high-quality investment grade securities, managed by external portfolio managers. Investment managers may take credit risk as a tactical enhancement to fixed income returns when suitable opportunities arise within the risk budget set for each manager.

Insurance and reinsurance debtors
The Syndicate has an exposure to credit risk in respect of insurance and reinsurance debtors. It has implemented an internal credit rating policy and limit setting process in response.

Operational risk

This is the risk that errors caused by people, processes or systems lead to losses to the Syndicate and Company. The Managing Agency seeks to manage this risk with detailed procedures manuals and a structured programme of testing of processes and systems by Internal Audit.

Regulatory risk

The Managing Agency is required to comply with the requirements of the Financial Services Authority and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Managing Agency has a Compliance Officer, who monitors regulatory developments and assesses the impact on agency policy. The Syndicate also carries out a compliance-monitoring programme.

Elective Resolutions

Elective resolutions were passed in accordance with Section 252 of the Companies Act 1985 to dispense with the requirement to lay financial statements and reports before the annual general meeting and, subsequently, in accordance with Section 366A to hold annual general meetings.

Statement of disclosure of information to Auditors

Each person who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's Auditors are unaware; and
- he or she has taken all the steps that ought to have been taken in order to make himself or herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Report of the Directors (continued)

Auditors

An elective resolution was passed on 29 November 2000 dispensing with the need to reappoint the auditors on an annual basis in accordance with Section 386 of the Companies Act 1985 and this remains in force.

Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with the 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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 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 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.

By order of the Board

C. Philp
Company Secretary
Plantation Place
30 Fenchurch Street
London EC3M 3AD
29 March 2009

Independent Auditors' Report

We have audited the Company's financial statements for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet and the related notes 1 to 17. 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 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

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 report of the Directors 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 report of the Directors 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 United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its loss 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 report of the Directors is consistent with the financial statements.

Ernst & Young LLP
Registered Auditor
London
3 April 2009

Profit and Loss Account: Technical Account – General Business
for the year ended 31 December 2008

	Notes	2008 £	2008 £	2007 £	2007 £
Earned premiums, net of reinsurance					
Gross premiums written	2		77,781,955		68,828,776
Outward reinsurance premiums			(16,492,046)		(17,198,780)
Net premiums written			61,289,909		51,629,996
Change in the gross provision for unearned premiums					
Gross amount	3	(1,193,076)		(6,737,357)	
Reinsurers' share	3	(659,260)		302,723	
Net change in provision for unearned premium			(1,852,336)		(6,434,634)
Earned premiums, net of reinsurance			59,437,573		45,195,362
Allocated investment return transferred from the non-technical account	4		246,043		1,625,940
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(40,124,160)		(22,079,739)	
Reinsurers' share		5,970,140		4,208,844	
Net claims paid		(34,154,020)		(17,870,895)	
Change in the provision for claims					
Gross amount	3	(27,545,052)		(4,232,578)	
Reinsurers' share	3	9,046,492		502,107	
Net change in the provision for claims		(18,498,560)		(3,730,471)	
Claims incurred, net of reinsurance			(52,652,580)		(21,601,366)
Net operating expenses	2, 5		(12,624,754)		(16,544,689)
Balance on the technical account – for general business			(5,593,718)		8,675,247

Profit and Loss Account: Non-Technical Account – General Business

for the year ended 31 December 2008

	Notes	2008 £	2007 £
Balance on the general business technical account		(5,593,718)	8,675,247
Investment income	4	1,787,533	2,505,301
Realised gains on investments	4	1,316,841	96,124
Unrealised (losses)/gains on investments	4	(62,747)	23,804
Investment expenses and charges	4	(21,876)	1,314
Realised losses on investments	4	(2,393,710)	(29,095)
Allocated investment return transferred to the general business technical account		(246,043)	(1,625,940)
Other charges	7	(416,491)	(480,916)
(Loss)/Profit on ordinary activities before taxation	6	(5,630,211)	9,165,839
Tax credit/(charge) on (loss)/profit on ordinary activities	10	1,182,818	(2,570,956)
(Loss)/Profit on ordinary activities after taxation		(4,447,393)	6,594,883

All operations are continuing.

There were no recognised gains and losses relating to the current or preceding year other then those included in the Profit and Loss Account. Therefore, no Statement of Total Recognised Gains and Losses has been prepared.

Balance sheet
at 31 December 2008

	Notes	31 December 2008 Corporate Undertaking £	Syndicate Participation £	Total £	31 December 2007 Corporate Undertaking £	Syndicate Participation £	Total £
ASSETS							
FINANCIAL INVESTMENTS							
Financial Investments	11	4,456,426	29,778,417	34,234,843	12,899,384	16,761,782	29,661,166
REINSURERS' SHARE OF TECHNICAL PROVISIONS							
Provision for unearned premiums	3	-	700,658	700,658	-	1,359,918	1,359,918
Claims outstanding	3	-	14,723,285	14,723,285	-	4,674,825	4,674,825
		-	15,423,943	15,423,943	-	6,034,743	6,034,743
DEBTORS							
Arising out of insurance operations		-	14,618,094	14,618,094	-	9,022,666	9,022,666
Arising out of reinsurance operations		-	22,593,494	22,593,494	-	20,269,055	20,269,055
Other debtors		6,514,579	258,087	6,772,666	205,710	253,029	458,739
Deferred tax	13	208,924	-	208,924	-	-	-
Amount due from group undertakings		(9,803,211)	9,803,211	-	3,605,962	(3,605,962)	-
		(3,079,708)	47,272,886	44,193,178	3,811,672	25,938,788	29,750,460
OTHER ASSETS							
Overseas deposits		-	3,086,545	3,086,545	-	1,657,397	1,657,397
Cash at bank and in hand		181,548	22,694,496	22,876,044	59,894	21,296,584	21,356,478
		181,548	25,781,041	25,962,589	59,894	22,953,981	23,013,875
PREPAYMENTS AND ACCRUED INCOME							
Deferred acquisition costs		-	7,150,849	7,150,849	-	6,514,153	6,514,153
Other prepayments and accrued income		-	37,188	37,188	-	95,665	95,665
		-	7,188,037	7,188,037	-	6,609,818	6,609,818
TOTAL ASSETS		1,558,266	125,444,324	127,002,590	16,770,950	78,299,112	95,070,062

Balance sheet
at 31 December 2008

	Notes	31 December 2008 Corporate Undertaking	31 December 2008 Syndicate Participation	31 December 2008 Total	31 December 2007 Corporate Undertaking	31 December 2007 Syndicate Participation	31 December 2007 Total
		£	£	£	£	£	£
LIABILITIES							
CAPITAL AND RESERVES							
Called up share capital	14	100	-	100	100	-	100
Profit and loss account		1,390,591	-	1,390,591	14,537,984	-	14,537,984
Equity shareholders' funds	15	1,390,691	-	1,390,691	14,538,084	-	14,538,084
TECHNICAL PROVISIONS							
Provision for unearned premiums	3	-	31,188,823	31,188,823	-	29,995,748	29,995,748
Claims outstanding	3	-	75,181,578	75,181,578	-	38,963,792	38,963,792
		-	106,370,401	106,370,401	-	68,959,540	68,959,540
CREDITORS							
Arising out of direct insurance operations		-	6,666,168	6,666,168	-	2,507,208	2,507,208
Arising out of reinsurance operations		-	5,356,399	5,356,399	-	6,277,484	6,277,484
Other creditors including taxation and social security	12	115,958	6,298,254	6,414,212	225,058	229,880	454,938
Deferred tax	13	-	-	-	973,894	-	973,894
Current tax		51,617	-	51,617	1,033,914	-	1,033,914
		167,575	18,320,821	18,488,396	2,232,866	9,014,572	11,247,438
ACCRUALS AND DEFERRED INCOME		-	753,102	753,102	-	325,000	325,000
TOTAL LIABILITIES		1,558,266	125,444,324	127,002,590	16,770,950	78,299,112	95,070,062

The financial statements were approved by the Board of Directors on 29 March 2009 and were signed on its behalf by:

O. Meir-Stacey

O. Meir-Stacey
Director
29 March 2009

Notes to the Financial Statements

At 31 December 2008

1. Accounting policies

Basis of preparation

The financial statements are prepared in accordance with the special provisions relating to insurance companies of Section 255 of, and Schedule 9A to, the Companies Act 1985, and include statements of the transactions, assets and liabilities of the syndicate on which the Company participates as a corporate member at Lloyd's.

As detailed in note 17, capital to support underwriting is provided by way of letters of credit secured on funds provided by Clal Insurance Enterprises Holdings Limited.

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules as modified by the revaluation of investments. The Company has adopted all material recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued in December 2005 (as amended in December 2006) by the Association of British Insurers (the ABI SORP).

The Company underwrites insurance business as principal through its participation in a Lloyd's syndicate.

The accounting information in respect of underwriting income and syndicate assets and liabilities for Syndicate 1301 has been provided by the managing agent, Chaucer Syndicates Limited. This information is based on audited syndicate data for the year ended 31 December 2008.

The technical account represents the Company's accounting transactions in respect of its syndicate participation. The syndicate financial information is prepared on an annual accounting basis.

Transactions entered into directly by the Company are reported in the non-technical account.

Assets and liabilities

The assets and liabilities entitled "Syndicate Participation" represent the assets and liabilities of the syndicate in which the Company participates. These assets are held subject to the syndicate trust funds and the Company cannot obtain or use them until such time as they are distributed from the Syndicate and released by Lloyd's under the provisions of a bi-annual release test.

Premiums written

Premiums written comprise premiums on contracts incepted during the financial year, including pipeline premiums, as well as adjustments made in the year to premiums written in prior accounting periods. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Pipeline premiums represent amounts due to the syndicate not yet notified.

Unearned premiums

Written premiums are recognised as earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

Reinsurance premium ceded

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

Claims provisions and related recoveries

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years.

1. Accounting policies (continued)

The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported ('IBNR') at the balance sheet date based on statistical methods. Notified outstanding claims are assessed on an individual case basis.

These methods generally involve projection from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

The reinsurers' share of provisions for claims is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. A number of statistical methods are used to assist in making these estimates.

The two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the accounts for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Unexpired risks provision

A provision for unexpired risks is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account relevant investment return.

Acquisition costs

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at period end rates. Any exchange differences arising from the change in rates of exchange are recognised in the technical account.

Transactions and non-monetary assets and liabilities denominated in foreign currencies are recorded in sterling at monthly average rates prevailing at the time of the transaction.

Notes to the Financial Statements
At 31 December 2008

1. Accounting policies (continued)

The rates of exchange used to translate monetary balances at the period end in foreign currencies into sterling are as follows:

	31 December 2008	31 December 2007
US Dollars	1.44	1.99
Canadian Dollars	1.77	1.96
Euros	1.03	1.36

Investments

Investments are stated at current bid value at the balance sheet date. For this purpose listed investments are stated at market value and deposits with credit institutions and overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Realised gains and losses on investments are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. All syndicate investment return has been allocated to the technical account as all investments support the writing of insurance business.

Taxation

The tax expense represents the sum of the current tax and the movement in deferred tax recognised in the period (see below).

The current tax is based on the taxable income for the period. Taxable profits differ from profit on ordinary activities as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates applicable at the balance sheet date.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more or to pay less or to receive more tax.

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

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

Notes to the financial statements (Continued)
at 31 December 2008

2. Segmental analysis

An analysis of the underwriting result before investment return is set out below:

2008

	Gross premiums written £	*Gross premiums earned* £	*Gross claims incurred* £	*Net operating expenses* £	*Reinsurance balance* £	*Total* £	*Technical Provisions* £
Direct insurance:							
Accident and health	9,923,362	9,082,241	(6,899,652)	(1,435,699)	(321,583)	425,307	10,659,363
Marine aviation and transport	862,785	952,482	(801,848)	(159,102)	39,753	31,285	1,624,962
Fire and other damage to property	15,260,068	13,792,587	(16,465,042)	(4,197,189)	2,105,940	(4,763,704)	18,517,469
Miscellaneous	333,131	323,672	49,389	(62,110)	(1,163)	309,788	746,433
Motor	367,209	1,001,662	(1,452,923)	(218,801)	(29,989)	(700,051)	657,946
Total direct	26,746,555	25,152,644	(25,570,076)	(6,072,901)	1,792,959	(4,697,375)	32,206,173
Reinsurance	51,035,400	51,436,235	(42,099,136)	(6,551,853)	(3,927,632)	(1,142,386)	58,740,285
Total	77,781,955	76,588,879	(67,669,212)	(12,624,754)	(2,134,674)	(5,839,761)	90,946,458

2007

	Gross premiums written £	*Gross premiums earned* £	*Gross claims incurred* £	*Net operating expenses* £	*Reinsurance balance* £	*Total* £	*Technical Provisions* £
Direct insurance:							
Accident and health	8,148,450	7,577,045	(5,414,094)	(2,276,675)	203,017	89,293	9,096,919
Marine aviation and transport	1,650,932	863,571	(1,009,046)	(416,314)	13,257	(548,532)	1,500,468
Fire and other damage to property	9,733,300	9,043,507	(5,573,463)	(3,278,319)	(1,258,213)	(1,066,488)	11,869,549
Miscellaneous	696,457	665,640	(711,945)	(164,633)	(86,586)	(297,524)	1,529,120
Motor	2,664,881	2,280,680	(1,277,266)	(765,982)	10,791	248,223	1,237,466
Total direct	22,894,020	20,430,443	(13,985,814)	(6,901,923)	(1,117,734)	(1,575,028)	25,233,,522
Reinsurance	45,934,756	41,660,976	(12,326,503)	(9,642,766)	(11,067,372)	8,624,335	37,691,275
Total	68,828,776	62,091,419	(26,312,317)	(16,544,689)	(12,185,106)	7,049,307	62,924,797

All premiums were concluded in the UK.

Notes to the financial statements (Continued)
at 31 December 2008

2. Segmental analysis (continued)

The geographical analysis of premiums by origin is as follows:

	2008	2007
	£	£
UK	5,765,524	7,056,473
Other EU countries	5,837,943	6,646,005
US	10,695,259	5,159,845
Other	55,483,229	49,966,453
Total	77,781,955	68,828,776

3. Technical provisions

	Provision for unearned premiums	Claims outstanding	Total
	£	£	£
Gross			
Balance brought forward	29,995,748	38,963,792	68,959,540
Exchange adjustments	-	8,672,734	8,672,734
Movement in year	1,193,076	27,545,052	28,738,128
Balance carried forward	31,188,823	75,181,578	106,370,401
Reinsurance			
Balance brought forward	1,359,918	4,674,825	6,034,743
Exchange adjustments	-	1,001,968	1,001,968
Movement in year	(659,260)	9,046,492	8,387,232
Balance carried forward	700,658	14,723,285	15,423,943
Net at 31 December 2008	30,488,165	60,458,293	90,946,458
Net at 31 December 2007	28,635,830	34,288,967	62,924,797

4. Investment Return

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Investment Income	1,787,533	2,505,301
Realised gains on investments	1,316,841	96,124
Unrealised gains on investments	-	23,804
	3,104,374	2,625,229
Unrealised losses on investments	(62,747)	-
Investment expenses and charges	(21,876)	1,314
Realised losses on investments	(2,393,710)	(29,095)
	(2,478,333)	(27,781)
	626,041	2,597,448

5. Net operating expenses

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Acquisition costs	18,022,485	15,195,888
Movement in deferred acquisition costs	(636,699)	(1,638,965)
Other costs	4,013,887	3,024,615
Profit on exchange	(8,774,919)	(36,849)
	12,624,754	16,544,689

6. (Loss)/profit on ordinary activities before taxation

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
(Loss)/profit on ordinary activities is stated after charging		
Auditor's remuneration:		
Audit – Broadgate Underwriting Limited	27,125	33,850
Audit – Syndicate 1301	44,000	43,815
Other services – fees paid to the auditor	-	-

7. Other Charges

Other charges of £416,491 (2007: £480,916) represents expenses incurred by the Company. No amounts are payable to Groupama S.A. in respect of the 2000 and 2001 underwriting years run-off. (2007: £135,211)

8. Employee remuneration

The Company had no employees during the year (2007: Nil).

9. Directors' remuneration

The Company paid no emoluments to the directors during the year (2007: Nil).

10. Tax (credit)/charge on (loss)/profit on ordinary activities

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
United Kingdom Corporation tax		
United Kingdom Corporation tax at 28.5% (2007: 30%)	-	1,967,459
Total current tax (credit)/charge	-	1,967,459
Deferred tax		
Deferred tax on profits and losses taxable in future periods	(1,218,695)	782,296
Adjustments in respect of prior periods	-	(179,099)
Impact of rate change	35,877	-
	(1,182,818)	603,197
Tax (credit)/charge on profit on ordinary activities	(1,182,818)	2,570,956

Factors affecting the tax charge for the current period

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

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Current tax reconciliation		
(Loss)/profit on ordinary activities before tax	(5,630,211)	9,165,839
Current tax at 28.5% (2007: 30%)	(1,604,610)	2,749,751
Effects of:		
Closed year profits to be recognised from earlier period	-	(782,296)
Closed year profits taxable in future periods	(1,501,217)	-
Open year losses taxable in future periods	3,095,425	-
Current year tax losses carried forward	10,402	-
Total current tax charge	-	1,967,459

Notes to the financial statements (Continued)
at 31 December 2008

11. Financial Investments

	31 December 2008		31 December 2007	
	Historic Cost £	Market Value £	Historic Cost £	Market Value £
Shares and other variable yield securities	22,247,645	21,886,756	-	-
Debt securities and other fixed income securities	7,851,844	7,891,661	16,703,659	16,761,782
Deposits with credit institutions	4,456,426	4,456,426	12,888,424	12,899,384
	34,555,915	34,234,843	29,592,083	29,661,166

Analysis for market value

	2008 £	2007 £
Listed investments	27.428,877	16,761,782
Unlisted investments	6,805,966	12,899,384
	34,234,843	29,661,166

12. Other creditors including taxation and social security

	31 December 2008 £	31 December 2007 £
Corporate undertaking - Other creditors	115,958	225,058
Syndicate participations - Other creditors	6,298,254	229,880
	6,414,212	454,938

Notes to the financial statements (Continued)
at 31 December 2008

13. Deferred Tax

	31 December 2008 £	31 December 2007 £
Deferred tax liability brought forward	973,894	370,697
Impact of rate changes	35,877	-
Deferred tax asset recognised in respect of profits/losses taxable in future periods	(1,218,695)	603,197
Deferred tax (asset)/liability	(208,924)	973,894

Deferred tax asset has not been recognised in respect of closed year losses of £0.5m (2007: Nil) and open year losses of £0.8m (2007: Nil).

14. Called up share capital

	31 December 2008 £	31 December 2007 £
Authorised		
100 ordinary shares of £1 each	100	100
Allotted and fully paid:		
100 ordinary shares of £1 each	100	100

15. Reconciliation of movements in shareholders' funds

	Share capital £	Profit and loss account £	Total shareholders' funds £
Balance at 1 January 2008	100	14,537,984	14,538,084
(Loss) for the year	-	(4,447,393)	(4,447,393)
Dividends Paid	-	(8,700,000)	(8,700,000)
Balance at 31 December 2008	100	1,390,591	1,390,691

16. Ultimate Parent Company

The immediate parent company is Clal Insurance Enterprises Holdings Limited, a company registered in the State of Israel. Copies of the consolidated financial statements may be obtained from the registered office at Clal Insurance House, 48 Menachem Begin Road, 66184 Tel Aviv, Israel.

The ultimate parent company is Israeli Development Bank Holding Corporation Limited.

The Company takes advantage of the exemption conferred by Financial Reporting Standard No. 8 (Related Party Disclosures) on the grounds that 100% of the Company's voting rights are controlled within a group and that the Company's results are included in the consolidated financial statements of Clal Insurance Enterprises Holdings

Limited which are publicly available from the registered office at Clal Insurance House, 48 Menachem Begin Road, 66184 Tel Aviv, Israel. Accordingly, transactions with entities that form part of the group are not disclosed.

Advantage has also been taken of the exemption from preparing a cash flow statement as permitted by FRS1 (revised).

17. Contingent Liability

The Company supports its underwriting activities via letters of credit (LOCs) provided by its parent company in the sum of £40.7 million (2007: £29.7 million) which is deposited at Lloyd's. The Corporation of Lloyd's is entitled to draw down on the letter of credit in order to satisfy any outstanding underwriting liabilities of the company.

At the date of the financial statements the directors are not aware of any circumstances that might give rise to the utilisation of the LOCs.