Beazley Group plc annual report 2003

Thinking outside the box

BEAZLEY

Contents

Beazley Group highlights	£17.1m	5.2p	0.75p	67p
	Pre-tax profit	Earnings per share	Dividend per share	Net assets per share

Beazley at a glance

Managed syndicate highlights	2003	2002	2001
Capacity (£m)	660	403	215
Beazley Group plc share	50%	0%	0%
Capacity utilisation	99%	90%	100%
Gross premiums written (£m)	708	438	355
Claims ratio	49%	60%	75%
Expense ratio	33%	34%	33%
Combined ratio	82%	94%	108%
Rate increase achieved	11%	33%	15%
Headcount	135	84	60
Underwriting personnel	38	27	25
Investments			
Combined syndicate invested funds (£m)	443	247	140
Syndicate 2623 invested funds (£m)	109	0	0
Average investment returns	1.9%	3.2%	6.3%

2003 has been an excellent year for the group.

We have successfully delivered against all of the targets we set ourselves at the beginning of the year.

Chairman's statement

Jonathan Agnew
Chairman

2003 has been an excellent year for the group. We have successfully delivered against all of the targets we set ourselves at the beginning of the year. The capital raised at the end of 2002 has been fully utilised, supporting the group's share of our total managed capacity of £660m.

We believe that we have had no difficulty in writing good, disciplined, profitable business up to this capacity.

Our profit before tax for the year was in line with expectations at £17.1m. Net assets per share have grown to 67p and our earnings per share were 5.2p from which the board is proposing a final dividend of 0.5p. This, together with the interim dividend of 0.25p per share, brings the total dividend for 2003 to 0.75p per share. In line with our commitment at the time of the initial public offering we have commenced paying dividends. The final dividend of 0.5p will be paid on 25 June 2004 to shareholders on the register on 28 May 2004.

We expect that dividends will increase significantly in respect of the years from 2005 as the first year of account underwriting profits for the group, 2003, are released from Lloyd's.

Our managed syndicate results for 2003 show a healthy profit of £47m. Although the elements of these results which are derived from periods before 2003 are not included within the group results, the syndicate results demonstrate the historical quality of our underwriting. Total premiums written in 2003 amount to £708m, 62% more than the £438m written in 2002. Net premiums written increased by 88% to £544m, the claims ratio reduced to 49% following a catastrophe free 2002 and the combined ratio dropped to 82% from 94% in 2003. Our 2003 year of account has started well and at this early stage we expect a return on stamp capacity of between 8% and 15%.

Both our 2001 and 2002 year of account ultimate loss ratios have held steady. We have achieved a break-even result for the 2001 year of account and the forecast ultimate World Trade Center (WTC) loss remains unchanged.

£660m

Total managed capacity

99%

Utilisation of capacity

82%

Combined ratio – managed syndicates

Our 2002 year of account is expected to return a profit on stamp capacity of 11.0% which is a modest reduction on earlier forecasts caused by the depreciation of the dollar against sterling in the fourth quarter of 2003.

Our strategy is to build on the depth of expertise which we have in the four areas of business in which we operate. We have reviewed many new business opportunities in 2003 and have continued to apply our disciplined approach to analysing these opportunities. This has meant that quite a few were turned down as they did not meet our internal criteria. We have been able to capitalise on the current market conditions with growth across all lines of our business. Strongest growth occurred in the Specialty Lines business where rates continue to increase and where we have been able to grow our business through the recruitment of experienced specialists.

2003 has seen further strengthening of the board. As mentioned last year, Joe Sargent who had been chairman since 1993 retired as chairman but continues as a non-executive director. I was appointed chairman in June 2003 and, on behalf of the board, would like to thank Joe for his very significant contribution to the company as a private business and in overseeing its transition to a listed company.

Andy Pomfret, the finance director of Rathbone Brothers plc, was appointed to the board in June 2003 as a non-executive director and has become chairman of the audit committee. Andrew Horton was appointed to the board at the same time as group finance director. Both Andy and Andrew have had many years experience in the financial services industry outside the insurance world, and their experience is already enhancing the board and the management of the group. Arthur Manners has stepped down from the board but continues to be responsible for key projects as a director of Beazley Furlonge Limited, the managing agency.

Beazley prides itself on the enthusiasm, energy and professionalism of its employees. This has been demonstrated more clearly than ever in a year of such growth and opportunity.

We are in a unique position; we have a business with an excellent track record and reputation, we are in an environment where good underwriting profits can be achieved, we have employees who are totally committed and we continue with our disciplined approach to underwriting both in terms of reserving and selection of business which we underwrite.

We are an active, energetic business. We never stand still.

We spend considerable time each year travelling to meet clients and contacts around the world. In our experience it's still the best way to truly understand a client's requirements and the ever-changing risks facing them.

We are always on the move to ensure that we are at the forefront of developments on behalf of our clients, wherever they are based.

We are proud of our reputation as a market leader.

Our underwriting teams have years of experience in their specialist fields. They are empowered and encouraged to build and operate their lines of business. Our underwriters have the authority and the ability to make decisions on the spot.

Our location is at the heart of Lloyd's.

We have broken new ground with our creative use of technology.

We are active in our pursuit of the most appropriate channels to provide access to the latest news products and information.

We will continue to push the boundaries to deliver the best possible information and links with our business.

www.beazley.com is an active and valuable business tool enabling clients to communicate with us at all times.

We are always ready to welcome those clients who wish to visit us in London.

We believe this approach helps to make our business relationships solid and reliable. It serves the best interests of clients and brokers. It serves our interests too.

Our internal 'coffee house' provides us with the opportunity to meet with clients and brokers in an informal environment.

We have been able to demonstrate steady growth as a result of our balanced portfolio.

Chief executive's review

Andrew Beazley
Chief Executive

Highlights

- Syndicate results of 2623 included within the group results for the first full year of activity
- Profit for the group was £17.1m
- Expanded underwriting successfully in directors & officers (D&O), healthcare, cargo, energy and UK open market property lines of business during the year
- Approved capacity for 2004 year of account is £741m (2003: £660m) of which the group supports £397m (2003: £330m)
- Our AM Best rating for syndicate 2623 was reaffirmed as A (excellent)

Market overview

I would like to start by making several observations about our market.

Since 2001, seven of the world's larger reinsurers have experienced rating downgrades. During this period, in which we have seen continuing rating downgrades of both insurers and reinsurers, both Beazley and Lloyd's ratings have been stable. The brand reputations of both organisations continue to go from strength to strength.

We have been able to demonstrate steady growth as a result of our balanced portfolio. Some of the markets in which we operate, particularly the professional indemnity portfolio, are continuing to experience rate increases. We are growing our business in these areas. For those sectors that are easing we are forecasting reductions in overall premium, but will concentrate on core, profitable, sustainable business.

In a climate of low investment returns, we continued to focus on maintaining a high quality asset portfolio. We maintained our conservative investment strategy throughout 2003.

We have seen an overall strengthening of market reserves, particularly within the property and casualty market in the USA, primarily in relation to asbestos claims. In addition many insurers and reinsurers have added to their provisions in respect of the 1997 to 2001 accident years. Our historic reserving record compares well and it should be noted that the group has minimal exposure to losses prior to 1 January 2003.

We welcome the long awaited enhancements to the regulatory environment within the UK insurance industry although these are not expected to have a material impact on the day-to-day operation of the group.

£660m	£330m	£741m	£397m
2003 managed capacity	Group's share of 2003 capacity	2004 managed capacity	Group's share of 2004 capacity

Our goals and objectives

What makes Beazley different?

The strategy of developing our specialist approach to underwriting. It is our aim to build on our expertise in existing lines through vertical growth and continued sound risk management. We believe this approach is fundamental to the continued management of our growth and exposures.

Specialist approach

We manage our business through our four underwriting departments: Specialty Lines, Property Group, Marine and Reinsurance. Our strong reputation enables us to retain and grow a high calibre skilled staff-base in all four teams and has allowed us to expand our underwriting lines during the year. In particular, we have recruited additional expert underwriters to expand our large risk professional indemnity, D&O and healthcare business within the Specialty Lines team. Similar expansion was made through the addition of cargo and energy underwriting teams within the Marine department. 2003 also saw the full effect of the expansion of the UK property team within the Property Group.

These areas of focus are lines of business in which we already have a history of underwriting. It was considered the right time to build these sources of business.

The effect of this expansion increased the Property Group's gross premiums written from £145m in 2002 to £188m in 2003. The Specialty Lines' gross premiums written also increased from £166m in 2002 to £341m in 2003. Similarly, the growth in cargo and energy helped to increase Marine's gross premiums written account over the same period from £60m to £88m in 2003.

An established flow of business

One of our key assets is our strong relationship with a complex distribution network of brokers. Through development and reinforcement of the Beazley brand since 1986 and consistent focus on meeting the requirements of brokers and clients internationally, our position as a market leader continues to be as strong as ever.

Producers

Over the last 14 months, we have recruited 'producer' underwriters within both the Property and the Specialty Lines departments. The producers work directly with the underwriters and Lloyd's brokers to identify the availability and appetite in the market for new business. This has enabled us to generate further business from existing networks and to access newer markets and opportunities that previously remained untapped.

One such opportunity is the consolidation of the regional brokerage community in the USA and the continued formation of nationwide firms. Such organisations have a greater interest in accessing international insurers such as ourselves to provide alternative products for their clients.

Close to clients

We will continue our existing strategy of frequently meeting with brokers and clients, particularly during periods of increased industry consolidation. Through ongoing review of our existing relationships and contacts, we are able to ensure that we remain up to date in our understanding of all the issues our business partners face.

An experienced management and underwriting team

The majority of our management team have worked together since 1993. Five of our directors have an underwriting background with an average of 26 years experience and have been with the group for over 10 years. While the group is new to the stock market, the directors have a proven track record of successfully managing the group results throughout the market cycle. This means being able to shrink, maintain or grow the business at the right points in the cycle and also to move quickly into areas of opportunity as and when they arise. We have further strengthened our management team with the addition of Andrew Horton and Andy Pomfret who have taken the roles of group finance director and of audit

We place great importance on our claims processes. We employ high quality, experienced claims managers to ensure all claims are dealt with as fully and professionally as possible.

Chief executive's review

committee chairman and non-executive director, respectively. Both complement our existing executive skill-set, bringing new competencies to the group.

Our people

At Beazley, our people are our most important asset.

It is our strategy to recruit high-quality, experienced personnel. Over the last two years, we have grown significantly from 60 people in January 2002 to 135 people in December 2003. We attract highly talented people due to our reputation as a growing, innovative and successful group. This enables us to maintain our flat structure and continue growing our business through our specialist approach to underwriting. We are able to respond to changes in the market, the regulatory environment and the needs of our customers.

Training and development within the group is considered core to our future success. Ongoing training of all our employees is aligned with both the individual's objectives and the strategic objectives of the organisation. This ensures that we retain high calibre staff at all levels.

Underwriting + claims = service

We place great importance on our claims processes. We employ high quality, experienced claims managers to ensure all claims are dealt with as fully and professionally as possible. The claims teams are integrated within the underwriting teams. In having claims managers working directly with underwriters we are able to respond more efficiently and rapidly. We believe this service is key to promoting long-term relationships with clients.

Cutting-edge risk management

Risk management within the group is integrated into the day-to-day control processes. Underwriting, reserving, credit, liquidity, reputation and operational risks remain management focus.

Consistent with prior years, the board has set a benchmark tolerance of 15% of capacity for a 1 in 250 year USA catastrophe on a net basis. We manage our exposures to within this capacity and monitor new exposure areas as they arise. We continually review our risk modelling to ensure that it is based on the latest available parameters.

To manage our underwriting, we assign maximum gross and net line sizes by underwriter by risk. We vary the limit according to the nature of the business being underwritten and the experience of the underwriter. These limits can only be exceeded if appropriately authorised.

In addition to tight underwriting controls, we employ peer review across a select quantity of our underwriting decisions. This review is intended to challenge underwriting decisions and ensure that our decisions are robust.

A recent addition to our risk management 'kit' includes a financial modelling Dynamic Financial Analysis (DFA) tool. It helps analyse reinsurance efficiencies and the frequency and distribution of potential loss events against planned financial results at both a line of business and managed syndicate basis. This enables us to assess the effectiveness of our reinsurance programmes and form the basis of our capital allocation methodology.

Outsourcing

Our commitment to being specialists at underwriting is demonstrated in our continued strategy to outsource non-core business activities including information technology, data entry, training and asset management. Outsourcing such activities enables us to concentrate on our core competencies. These outsourced activities are managed by key operations personnel to ensure that continuous high-quality services are maintained.

135

We have grown our staff base from 60 in January 2002 to 135 in December 2003

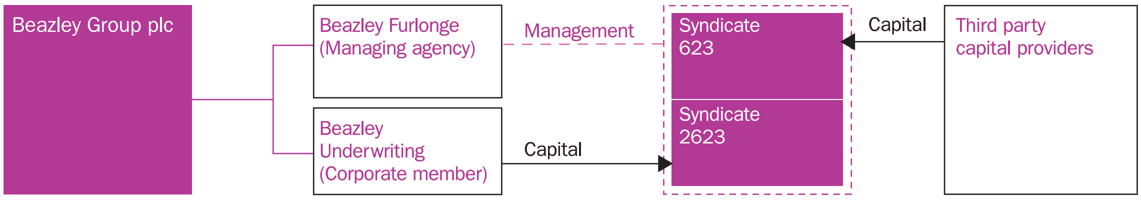
A- Excellent

Standard and Poor's credit rating for Lloyd's

A Excellent

AM Best rating for syndicates 623 and 2623

Beazley group operating structure



Operating structure
The operating structure of the Beazley Group is set out above. Beazley Furlonge Limited (BFL) is the principal operating subsidiary that manages the underwriting operations. As a Lloyd's managing agency, BFL derives its operating revenue from agency fees charged to the underwriting members participating on both syndicates, and from profit commission that is based on the underwriting results of syndicate 623. Agency fees currently amount to 0.6% of capacity and profit commission 17.5% of the net profit of the syndicate.

Beazley Underwriting Limited participates as the sole underwriting member of syndicate 2623. This syndicate has underwritten in parallel with syndicate 623 from 1 January 2003. Under the parallel syndicate arrangement, BFL manages both syndicates 2623 and 623 as a single underwriting unit. All premiums, claims and any reinsurance to close of a prior year of account will be split between the syndicates pro rata to each syndicate's underwriting capacity for the relevant year of account, resulting in identical risk profiles and underwriting profitability levels. For the 2003 year, the split of business between the two syndicates is 50/50 for syndicates 2623 and 623 respectively. For the 2004 year, the split of business is 54% for 2623 and 46% for 623 as the group was able to take a larger proportion of the total managed syndicate.

The Beazley Group has limited exposure to prior year issues because of the limited participation on 2002 and prior years.

Value creating activities

Innovation
We are constantly looking toward alternative methods of binding business in order to respond to the ever changing environment and ensure consistent strong returns to shareholders.

Accessibility is integral to our business strategy. We look at ways to improve the way we do business. Beazley is a founding partner with Kinnect (previously known as Project Blue Mountain). Kinnect is a Lloyd's initiative which will allow Beazley to capture and transfer risk information swiftly and securely with the market. Much of the technology for achieving connection to Kinnect is now in place.

We are continually upgrading the Beazley internet and intranet websites, and adding new products to Eazypro, our e-trading platform. Recently Eazypro incorporated the Employee Practices Liability (EPL) line of business.

The group continues to make available cutting edge software and hardware for all staff for both trading and operational activities.

The benefit of our Lloyd's association and our supply chain
Lloyd's is a key global player and a strong brand name. Beazley benefits from this association both practically and strategically. On a practical level, the Lloyd's association maintains licences enabling us to underwrite business in markets across the world. Strategically, we benefit through the trading partner relationship and the key influence Lloyd's has over the London insurance market. This association enhances the Beazley brand. The introduction of the Franchise Board will help ensure profitability and consistency for the Lloyd's brand.

The volume and nature of business introduced to the Lloyd's market is strongly linked to its credit rating. Lloyd's Standard & Poor's (S&P) credit rating has recently been affirmed at A– (Excellent).

New opportunities
Beazley has always been open to exploring new opportunities that align with the group's risk tolerance and strategic objectives. The additional profile produced by the flotation has increased the flow of new offerings.

The core strategies and competencies of the group remain unchanged. This is reflected in our continued growth and profitability.

Managed syndicates' results on an annual accounted basis	2003	2002	2001	2000
Gross premiums written (£m)	708	438	355	187
Net premiums written (£m)	544	289	269	129
Net premiums earned (£m)	401	292	179	115
Net claims incurred (£m)	(197)	(174)	(134)	(67)
Net operating expenses (£m)	(165)	(102)	(71)	(47)
Profit/(loss) for the period (£m)	47	22	(17)	10
Claims ratio	49%	60%	75%	58%
Expense ratio	33%	34%	33%	39%
Combined ratio	82%	94%	108%	97%

Financial performance

Overview and results

While syndicate operations have been managed by Beazley for 17 years, this is the first full year whereby the underwriting results of syndicate 2623 are reflected directly within the Beazley Group plc (the group) operating result. The group manages both syndicate 623 and 2623 (referred to on a combined basis as the managed syndicates). It is principally the underwriting result of syndicate 2623 that makes up the group operating result. Of the premiums written by syndicate 2623 only 50% was earned in 2003. The remainder will be earned in 2004 and 2005

The group made a pre tax profit of £17.1m which translates after tax to an earnings per share of 5.2p. Due to the different earning patterns of the four businesses making up the group and the group only having one year of written premiums, it is difficult to assess the underlying business performance on this basis. This will be easier for the group in 2004 as there will be two years that have an impact on the group's profits.

To give some understanding as to how the total business has performed, the table above shows the managed syndicate results – the performance of both syndicates 623 and 2623. This shows that in 2003, profit for the managed syndicates has more than doubled to £47m (2002: £22m) and that the combined ratio has fallen to 82% (2002: 94%).

The managed syndicates' gross premium and profit growth from 2002 to 2003 can be attributed to several factors, including the rate increases on renewal business and a continuing relatively low loss climate. Rate increases within the Specialty Lines department account for a substantial proportion of the overall growth, with the average rate increase on renewal business for the year of 21%. Across all departments, this rate increase is 11%.

In addition to the organic premium growth, expansion has been made through the recruitment of key specialist underwriters within the Specialty Lines, Property and Marine departments.

Capacity structure

The relatively flat capacity growth during the period from 1995 to 1999 reflects Beazley's underwriting discipline during soft underwriting conditions. Growth seen in more recent years reflects the group's ability to optimise hardening market conditions. Managed syndicate capacity has increased from £660m in the 2003 year of account to £741m for the 2004 year of account. This continuing capacity growth is intended to take advantage of continuing market correction and opportunities, particularly within some of the specialty liability lines.

As can also be seen from the Capacity structure graph opposite, Beazley's return on capacity has been relatively stable over the years when compared with the Lloyd's average return on capacity over the same period.

Syndicate capital

The different sources of capital up until the end of 2002 comprise individual names, controlled corporate members and third party corporate members. The Beazley Group had a limited participation up until the end of 2002 in syndicate 623. In view of the market opportunities, the group had participation through syndicate 2623 of £330m in 2003 (representing 50% of the total capacity managed by the group). The group now has a participation of £397m (54%) of the 2004 approved total capacity of £741m through syndicate 2623.

Capital requirements

Through the evolving regulatory environment, the Financial Services Authority (FSA) is reviewing the minimum level of capital required. The minimum capital requirement presently specified by Lloyd's and applied to the syndicates, known as the Funds at Lloyd's (FAL) is set

11%

2003 rate increase across all divisions

21%

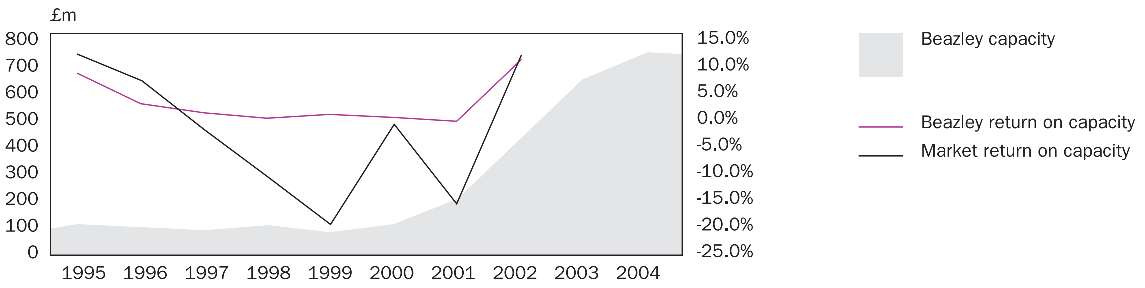
2003 average rate increase on renewal business in Specialty Lines

0.75p

Total dividend for 2003

Capacity structure

Capacity versus return on capacity within Beazley and Lloyd's



at 40%. While there remains uncertainty as to the specific impact the changes to the capital requirements will have, the general market perception is that there will be upward pressure.

The group funded its £330m of capacity in 2003 through the deposit of £132m of FAL using the funds raised at the IPO in 2002. The group has banking facilities in place which would enable the group to increase its FAL by up to £30m in future years, of which £18m has been used in 2004 to support the group's increased capacity. The same facility permits using up to £10m for syndicate working capital purposes. The group's current level of gearing is low. It is likely that extra bank financing would be available if required.

Reinsurance

Reinsurance is an integral part of the group's underwriting and risk management strategy. Relationships have been developed over many years with reinsurers to provide the business with appropriate reinsurance protections.

This enables the group to increase its gross position while keeping its retained exposure within the risk parameters set by the board. Reinsurance security is very important to us and we have developed a vigorous process of vetting counterparty risk which includes obtaining third party advice together with an internal review by the reinsurance security committee.

Investments

The group earns investment income on both its FAL and its operating cash flows. Investment income was £5.7m for the group. Funds available for investment within the syndicate grew during the year; particularly during the latter half.

FAL has been invested for the entire year. The group has maintained its conservative investment policy of investment grade, fixed interest securities with six months duration. We are currently planning a modest change to the historic investment strategy, placing approximately 10% of the invested funds in alternative assets (high yield bonds, equities and hedge funds). We intend to achieve this by the end of 2004 to provide incremental yields to the portfolio.

Dividends

The board is proposing a final dividend of 0.5p which, with the interim dividend of 0.25p per share, brings the total dividend for 2003 to 0.75p per share. The payment of dividends is dependent upon both profits and cash flow so it is anticipated that dividends will increase significantly from the year ended 2005 as the first year of account profits for the group (2003) are released from Lloyd's.

Outlook

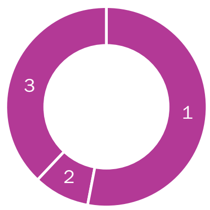
The outlook for 2004 is positive for the different classes of business that we underwrite. London continues to see an increasing flow of business and rating levels in all our areas are at a level which we believe can deliver good underwriting profits. In 2004 we shall start to see the earnings potential of the group as we consolidate on the growth we have achieved in recent years. We will have profits coming through in 2004 on business undertaken in both 2003 and 2004.

Superior specialist underwriting is the cornerstone of Specialty Lines' strategy. Our business development activities ensure we have the quality and selection of risks to achieve profitable growth.

The success of the team is attributable to the high calibre of its team members. It is our objective to recruit the best in the industry and retain our staff by providing the environment and tools for excellent performance.

Specialty Lines

Income distribution



1 Large risks	53%
2 Political and contingency group	9%
3 Programme and small risks	38%

Underwriting results (managed syndicates)	31 December 2003	31 December 2002	31 December 2001
Gross premiums written (£m)	341	166	152
Net premiums written (£m)	260	79	111
Net premiums earned (£m)	162	93	77
Claims ratio	63%	80%	72%
Rate increase achieved	21%	38%	13%
Percentage of lead business	77%	77%	68%

Profile
Specialty Lines is led by Johnny Rowell and in 2003 the team accounted for 48% of the syndicates' total gross premiums written. It is organised into three focus areas: large risks, programme and small risks, and political and contingency. Although considered to be challenging by underwriting standards, these areas offer higher margins and benefit from the depth of knowledge and experience the specialty underwriting group brings to bear.

Market overview
The department has maximised both its leadership position and market conditions to generate significant growth with good profit potential in its chosen lines of business in 2003. Whilst focusing primarily on professional indemnity insurance, it maintains a diverse geographic and demographic base including a substantial proportion of business originating in the US excess and surplus market. Overall, the environment has been very favourable for both premium and claims and we expect this to continue well into 2004.

The large risks group, which underwrites professional indemnity insurance, D&O liability and healthcare professional indemnity, nearly tripled its gross premiums written from 2002 to 2003. The professional indemnity area began to reap the benefits of a USA focused business development programme and was able to combine a high renewal rate with substantial rate increases. New underwriting talent in directors and officer's liability and healthcare professional indemnity also contributed to the expansion.

All areas of programme and small risks showed very healthy premium growth in 2003. Significant gains were made in the employment practices liability and professional indemnity insurance originating in the USA, and both international and the UK sourced liability business showed strong growth overall. Similar positive results are projected for 2004.

Political and contingency total premium was flat in 2003. Weakened global trade and a reduced number of new ventures restricted the number of risks available in the market generally. Additionally, the hard market in other areas depressed the premium funds available for the more specialist, non-compulsory coverages. The outlook for 2004 is positive as the global economy shows signs of recovery and the group has added a producer underwriter to increase the flow of the business we target.

Outlook for 2004
Whilst there is some evidence of rate increases slowing, we expect to achieve respectable increases in most of our lines of business and anticipate high renewal levels as well as opportunities for new business. Our recruiting efforts have brought talent to the group who will make meaningful contributions in 2004 in underwriting, claims management and business development.

Strategies
Superior specialist underwriting is the cornerstone of Specialty Lines' strategy. Our business development activities ensure we have the quality and selection of risks to achieve profitable growth. We will also actively manage our client relationships, distribution channels and claims in order to maximise profitability.

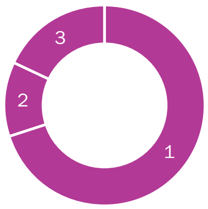
Value creating activities
The success of the team is attributable to the high calibre of its team members. It is our objective to recruit the best in the industry and retain our staff by providing the environment and tools for excellent performance.

During 2003 we recruited a UK commercial team who specialise in writing medium to large commercial business enterprises within the UK and Ireland.

The team has the expertise and experience to provide consistent management of both price and capacity.

Property Group

Income distribution



1	Open market	70%
2	Covers	12%
3	Jewellers block & homeowners	18%

Underwriting results (managed syndicates)	31 December 2003	31 December 2002	31 December 2001
Gross premiums written (£m)	188	145	123
Net premiums written (£m)	153	115	108
Net premiums earned (£m)	131	114	66
Claims ratio	37%	41%	72%
Rate increase achieved	4%	27%	20%
Percentage of lead business	53%	51%	51%

Profile

The Property Group is led by Jonathan Gray and in 2003 accounted for 27% of the syndicates' total gross premiums written. Our highly developed knowledge of the property industry, together with our lead capability, enables us to provide insurance products to a worldwide market ranging from large corporate accounts to homeowners.

Market overview

Market conditions in the property sector continued to be very good during 2003, with terms and conditions remaining very favourable. During the second half of the year, and in particular the fourth quarter, increased competition due to excess capacity and an absence of major loss activity have resulted in a softening of rates in most territories, with the USA experiencing the highest reductions, albeit from historically high levels.

Loss activity in 2003 has been very low despite a number of natural catastrophes in the second half of the year, notably hurricanes Fabian and Isabel, typhoon Maemi and the wildfires in Southern California. We do not expect losses from these events to be material to the group.

Outlook for 2004

We expect rates to come under increasing pressure, especially on the larger premium accounts written within the open market corporate account. However, it should be noted that rates are coming off from historically high levels. We also expect brokers' orders in London to be cut back as competition increases in the local markets. The above factors will lead to a reduction in premium in the open market corporate account. We are forecasting growth however, in the covers account and in the homeowners' and jewellers' block accounts where we expect rates to remain strong.

Strategies

Within our core competencies we aim to utilise our lead capabilities to access the highest quality business and provide a consistent approach to our clients, many have been with us for over a decade. With a broad book of profitable established business we are focused in achieving profits in all areas.

During 2003 we recruited a UK commercial team. The team has over forty years of experience within UK property insurance and is a respected lead for the class specialising in writing medium to large commercial business. They have been successful in developing the account with their existing producers and by capitalising on the strength of the Beazley brand. Within UK homeowners we have continued to grow our high net worth account during 2003. For 2004 there will be further growth in the UK homeowners account due to the addition of a substantial established book of business. We were also able to grow our covers (where we have delegated our underwriting) account during 2003 and managed to achieve rate increases in all areas.

In September 2003 we recruited a producer underwriter to generate further business from existing networks and relationships and to access new markets. We will look to create opportunities by cross selling within Beazley. The producer works closely with underwriters and key brokers.

Value creating activities

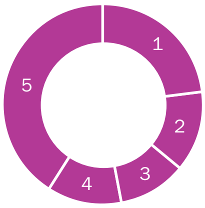
The team has the expertise and experience to provide consistent management of both price and capacity. We spend considerable time travelling and meeting with our clients and brokers and believe that by understanding our customers' businesses, we can find solutions to their needs. The team emphasises service as a means to product enhancement and achieves this through being responsive and having excellent underwriting skills that are accompanied by in-house technical support.

To capitalise further upon current underwriting conditions in the energy market, in March 2003 we added a specialist underwriter to the team to lead this class.

Our highly developed knowledge of the marine and energy sector, together with lead capability, has enabled us to provide clients with comprehensive and competitive risk solutions.

Marine

Income distribution



1 Energy	23%
2 Liability	13%
3 War	11%
4 Cargo	12%
5 Hull and miscellaneous	41%

Underwriting results (managed syndicates)	31 December 2003	31 December 2002	31 December 2001
Gross premiums written (£m)	88	60	38
Net premiums written (£m)	66	46	31
Net premiums earned (£m)	47	39	17
Claims ratio	29%	55%	63%
Rate increase achieved	10%	16%	11%
Percentage of lead business	53%	51%	57%

Profile
The Marine team is led by Clive Washbourn and in 2003 accounted for 12% of the managed syndicates' gross premiums written. Since 1998 our highly developed knowledge of the marine and energy sector, together with lead capability, has enabled us to provide clients with comprehensive and competitive risk solutions.

Market overview
Following strong rate rises in 2002, underwriting conditions have stabilised in most classes and remain favourable. During 2003 we were able to achieve rate rises across much of the portfolio. The prospects for underwriting returns continue to look favourable in the medium term.

2003 was relatively quiet in terms of high profile losses in the marine market. Notable incidents included the 'Tasman Spirit' pollution incident off the coast of Pakistan that will impact the market through the International group of P&I associations programme. Damage to the port of Pusan during typhoon Maemi is another significant 2003 catastrophe. However, we do not expect losses from these events to impact the group.

Outlook for 2004
The marine account has continued to grow across much of the portfolio during 2003 with the cargo and specie and energy accounts seeing the greatest expansion. The arrival of an established cargo and specie team in September made a significant contribution to fourth quarter premiums written. The team has been working together since 1989 and are regarded as leaders in the cargo market.

To further capitalise upon current underwriting conditions in the energy market, in March 2003 we recruited a specialist underwriter to lead this class. Whilst it is not anticipated that rating conditions will see material increases at this stage, this account will be further developed during 2004. This will primarily be by participating in high quality risks known to the underwriting team which were not available to the group during the first quarter of 2003.

Over the past year the marine account has broadened its spread of risk. Through growth and expertise we have cemented our position as a market leader. This in turn has led to us being offered a number of quality accounts that we have not been shown in former years.

The majority of our portfolio will continue to consist of individual risks underwritten by the underwriting team at the box although we shall continue to investigate and develop opportunities to transact business through e-trading and service companies. We have embraced internet trading opportunities and have seen, during 2003, increased business flows through the e-trading portals of several of the dominant brokers.

Strategies
With the new teams established we anticipate expansion in 2004. Both the cargo and the energy teams are being shown a portfolio that is well known to them and where they have had previous historical involvement together with some business that is new to the market.

Value creating activities
We seek to utilise our leading market position and the knowledge of the sector to access the highest quality business. This combined with selective underwriting allows us to write a profitable account of business whilst limiting the potential downside to our capital providers in the event of catastrophic losses.

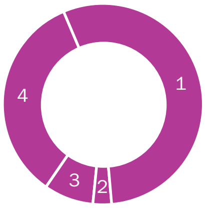
Whilst we have always been specialists we feel that we have recently strengthened our base. In the last year we have complemented the team and now have a broader spectrum of expertise covering most areas of the marine account.

We will continue to advance our long-term objective of developing a well diversified portfolio.

The reinsurance team is recognised as a leading writer of the class and has built strong access through a range of brokers.

Reinsurance

Income distribution



1 Catastrophe	56%
2 Clash	2%
3 Miscellaneous	8%
4 Ex-catastrophe	34%

Underwriting results

Underwriting results (managed syndicates)	31 December 2003	31 December 2002	31 December 2001
Gross premiums written (£m)	91	67	42
Net premiums written (£m)	65	49	18
Net premiums earned (£m)	62	46	18
Claims ratio	54%	68%	105%
Rate increase achieved	4%	44%	14%
Percentage of lead business	27%	20%	21%

Profile

The Reinsurance team is led by Neil Maidment and represents 13% of the managed syndicate's 2003 gross premiums written. We have been a leading provider of protection for insurance companies worldwide for 17 years. The team specialises in writing property catastrophe, property risk excess and casualty catastrophe and maintains an established lead profile in the market.

Market overview

Underwriting conditions remained positive during 2003 in the property catastrophe and risk and casualty catastrophe reinsurance markets. After three years of rate increases beginning 2000 and accelerating post WTC in 2001, rate change was more modest in 2003 with an average increase of 4% achieved on the renewal portfolio.

Large individual risk loss activity was low, as in 2002, but natural catastrophe market losses increased significantly particularly in the USA where 2003 was the third costliest year for catastrophe losses since 1994[1].

The renewal retention ratio remained high in 2003 and we successfully increased both our share and our profile on target business.

Dislocation in the market has presented considerable opportunities for underwriters to write business at improved rates and with increased deductibles. Western Europe, in particular Germany, France and Italy have yielded the most opportunities along with Australia and Canada. Central and Eastern Europe remains an area of potential development. As in previous years, the department's main exposures outside of the USA emanate from the UK and Japan where Beazley has an established lead profile.

Outlook for 2004

The team intends to take advantage of its position in the Lloyd's market during the current cycle, through consolidation and targeted development particularly in Europe, thus, increasing the portfolio efficiency.

The January 2004 renewal season demonstrated a slight easing in market conditions. However, rates, terms and conditions are expected to remain at a level that will allow Beazley to continue to promote our strengths with both brokers and clients alike. To this end the estimated premiums for 2004 will build upon the structured growth and profit achieved in 2003.

Strategies

The team will continue to advance our long-term objective of developing a well diversified portfolio focusing on larger non-life insurance markets.

Modelled data is now the norm within the market and we remain at the forefront of developments in this area, actively employing IT capabilities that surpass market standards. The effectiveness of our modelling and analytical expertise has led to improved catastrophe management and capacity utilisation.

We attach particular importance to client visits and meetings in order to develop a proper understanding of each risk.

Value creating activities

The reinsurance team is recognised as a leading writer of the class and has built strong access through a range of brokers. The team is known for its ability to provide long-term continuity and enjoys a reputation for handling claims efficiently, enabling settlements to be made promptly.

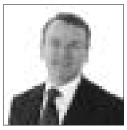
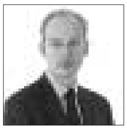
[1] Source: ISO Property Claims Service

Board of directors

Executive directors

Top row, left to right:
Andrew Beazley
Andrew Horton
Nicholas Furlonge

Bottom row, left to right:
Jonathan Gray
Neil Maidment
Johnny Rowell

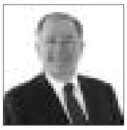



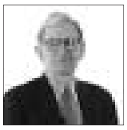
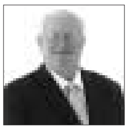


Non-executive directors

Top row, left to right:
Jonathan Agnew
Dudley Fishburn
Andy Pomfret

Bottom row, left to right:
Joe Sargent
Tom Sullivan



Executive directors

Andrew Beazley
(aged 50) is the chief executive of the company. Andrew is a co-founder of Beazley Furlonge and the Active Underwriter for the management of syndicate 623 and syndicate 2623. He has 28 years of Lloyd's experience. He is chairman of Lloyd's of Japan and served on the Lloyd's Chairman Strategy Group.

Andrew Horton
(aged 42) is the group finance director and joined the board in June 2003. Andrew was previously UK Chief Financial Officer at ING and, prior to January 2001, was Deputy Global Chief Financial Officer and Global Head of Finance for the equity markets division of ING Barings, having held various financial positions with ING Barings since January 1997. He qualified as a Chartered Accountant with Coopers and Lybrand in 1987.

Nicholas Furlonge
(aged 53) is responsible for the Risk Management of the Beazley Group. Nicholas is a co-founder of Beazley Furlonge and has 32 years of Lloyd's experience. He is also responsible for marketing and the purchasing of the group operations reinsurance programmes.

Jonathan Gray
(aged 50) is head of the group's Property Division. Jonathan has 30 years of Lloyd's experience and joined Beazley Furlonge in 1992. He specialises in writing open market commercial property risks.

Neil Maidment, FCII
(aged 41) is head of the group's Reinsurance Division. Neil has 19 years of Lloyd's experience and joined Beazley Furlonge in 1990 to take responsibility for the Reinsurance account.

Johnny Rowell
(aged 42) is head of the group's Specialty Lines Division. Johnny has 19 years of Lloyd's experience and focuses on writing professional liability insurance.

Non-executive directors

Jonathan Agnew
(aged 62) is the chairman of the company. Jonathan was formerly a managing director of Morgan Stanley and subsequently chief executive of Kleinwort Benson Group. He has been chairman of Limit plc and of Gerrard Group plc. He is currently chairman of Nationwide Building Society and a non-executive director of Jarvis plc.

Dudley Fishburn
(aged 57) is chairman of HFC Bank Limited and a director of HSBC Bank plc. He is a non-executive director of Household International Inc. and Altria Inc. in the USA.

Andy Pomfret
(aged 43) was appointed finance director of Rathbone Brothers plc in 1999 and, prior to that, held positions at Peat, Marwick, Mitchell & Co (now KPMG) and Kleinwort Benson (now Dresdner Kleinwort Wasserstein).

Joe Sargent
(aged 74) is chairman and portfolio manager at Bradley Foster & Sargent, Inc., a money manager in Connecticut, USA. Prior to his current position, he was the CEO of Conning and Company, a firm specialising in the analysis of insurance companies, for over 25 years.

Tom Sullivan
(aged 64) was a senior vice president of Aon, with responsibilities including insurance broking, consulting and underwriting. He was appointed a director of SVB Holdings plc in November 1996 and resigned in December 2003. He is also a non-executive director of Jago Managing Agency Limited.

Financial review and accounts
2003

Statement of corporate governance

Application of principles of good corporate governance

There is, and historically there has been throughout the company and the group, a commitment to high standards of corporate governance. The directors intend that Beazley Group will comply with the revised Combined Code on corporate governance which applies to reporting years beginning on or after 1 November 2003, and continue to develop procedures which will ensure that, where the board considers it appropriate, the relevant requirements are met.

Compliance with code provisions

The board confirms that the company and the group have complied with the provisions set out in section 1 of the former Combined Code for the year ended 31 December 2003, with the following exceptions:

- A schedule of matters reserved for board decision was not formally adopted until 23 April 2003;
- George Blunden, a non-executive director of Beazley Furlonge Limited, the company's principal operating subsidiary and managing agent for syndicates 623 and 2623, was appointed a member of the audit committee on 23 April 2003. The audit committee covers audit issues relating to both Beazley Group and Beazley Furlonge Limited;
- A senior non-executive director was not appointed until 12 June 2003 when Joe Sargent was appointed.

The board is accountable to the company's shareholders for good governance and the statements set out below describe how the principles identified in the revised Combined Code have been applied by the group.

The board

The board consists of a non-executive chairman, Jonathan Agnew, together with four independent non-executive directors, of which Joe Sargent is the senior non-executive director, and six executive directors, of which Andrew Beazley is chief executive. All five of the non-executive directors, who have been appointed for specified terms, are considered by the board to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement.

Biographies of board members appear on page 22 of this report. These indicate the high levels and range of business experience which are essential to manage effectively a business of the size and complexity of the group. A well defined operational and management structure is in place, and terms of reference exist for all board committees. The roles and responsibilities of senior executives and key members of staff are clearly defined.

The full board meets at least five times each year, and more frequently where business needs require. The board has a schedule of matters reserved for its decision including, *inter alia*, statutory matters; approval of financial statements and dividends; appointments and terminations of directors, officers and auditors; appointments of committees and setting of terms of reference; review and approval of group performance against budgets; approving of risk management strategy and material contracts; and the determining of authority levels within which management is required to operate.

There is an agreed principle that directors may take independent professional advice if necessary and at the company's expense, on the basis that the expense is reasonable. This is in addition to the access which every director has to the company secretary. The secretary is charged by the board with ensuring that board procedures are followed.

To enable the board to function effectively and directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of board meetings, this consists of a comprehensive set of papers, including regular business progress reports and discussion documents regarding specific matters.

Appointments to the board of both executive and non-executive directors are considered by the nominations committee. The recommendations of the nomination committee are ultimately made to the full board, which considers them before any appointment is made. The remuneration committee considers any remuneration package of executive directors before it is offered to a potential appointee. The members of the audit, remuneration, nomination and investment committees are set out opposite.

Any director appointed during the year is required, under the provisions of the company's articles of association, to retire and seek re-election by shareholders at the next annual general meeting. The articles also require that one third of the directors retire by rotation each year and seek re-election at the annual general meeting, and the directors required to retire are those in office longest since their previous re-election. In addition, each director is required to retire at least once in any three year period.

Full details of directors' remuneration and a statement of the company's remuneration policy are set out in the directors' remuneration report on pages 28 to 35. The members of the remuneration committee and the principal terms of reference of the committee appear on page 26.

Meetings with non-executive directors

The chairman holds meetings as required with the non-executive directors without the executive directors being present.

Board performance evaluation

In accordance with the requirements of the revised Combined Code, the board intends to undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors. The 2004 Annual Report will state how this performance evaluation has been conducted.

Individual attendance* by directors at regular meetings of the board and of committees

Director	**Board**		**Audit**		**Remuneration**		**Nomination**		**Investment**	
	No of meetings	No attended	No of meetings	No attended	No of meetings	No attended	No of meetings	No attended	No of meetings	No attended
J G W Agnew	5	5	2	2	5	5	1	1	3	3
A F Beazley	5	5	–	–	–	–	–	–	–	–
J D Fishburn	5	5	4	2	5	5	1	1	–	–
N H Furlonge	5	5	–	–	–	–	–	–	–	–
J G Gray	5	5	–	–	–	–	–	–	–	–
D A Horton	2	2	–	–	–	–	–	–	2	2
N P Maidment	5	5	–	–	–	–	–	–	3	1
A R Manners	3	3	–	–	–	–	–	–	3	3
A D Pomfret	2	2	2	2	2	2	–	–	–	–
J G B Rowell	5	5	–	–	–	–	–	–	–	–
J D Sargent	5	5	4	4	5	5	1	1	3	2
T F Sullivan	5	5	4	3	5	4	1	1	–	–

* Excludes executive directors attending by invitation

Board committees

The company has established properly constituted audit, remuneration, nomination and investment committees of the board.

Audit committee

The audit committee currently comprises Andy Pomfret, who was appointed to the committee as its chairman on 12 June 2003, Dudley Fishburn, Joe Sargent, and Tom Sullivan, who all served throughout the year, and George Blunden, who was appointed on 23 April 2003. During the period 1 January to 12 June 2003, Joe Sargent was chairman and Jonathan Agnew was also a member. George Blunden is a member of the committee as he is a non-executive director of Beazley Furlonge Limited, the company's principal operating subsidiary and managing agent for syndicates 623 and 2623. The audit committee operates as the audit committee for both the group and Beazley Furlonge Limited.

The committee's main objectives are, *inter alia*, to monitor the integrity of the company's financial statements and any other formal announcements relating to the company's financial performance; review significant financial reporting judgements contained in them, before submission to, and approval by, the board, and before clearance by the external auditors; review the company's internal financial controls and the company's internal control and risk management systems; approve the appointment, or termination of appointment, of the head of internal audit and monitor and review the effectiveness of the company's internal audit function; and review the arrangements by which employees of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

The committee also reviews any matters raised by the auditors and internal audit. The chief executive and the finance director are invited to attend part of each meeting of this committee, as are the auditors. The auditors have unrestricted access to the members of the audit committee, and the committee ensures that meetings are used as an open avenue of communication between compliance, internal audit, the external auditors and the board.

Statement of corporate governance

In respect of any firm of consulting actuaries which may be appointed by any group company, the audit committee is also responsible for recommending their appointment and termination; recommending their terms of reference; receiving regular reports from the consulting actuaries concerned, independently of management where necessary; determining their independence; monitoring their performance; and approving their fees.

Following a recommendation from the audit committee, the board has adopted a policy in relation to the provision of non-audit services by the auditors, with the objective of ensuring that the provision of such services does not impair the external auditor's objectivity. This includes, *inter alia*, assessing all relationships with the audit firm, including their partners and staff; assessing the nature and level of fees for non-audit services in relation to the audit fee; obtaining confirmation of independence from the auditors; and ensuring the appropriateness of the firm as providers for non-audit services.

The split between audit and non-audit fees for the year under review is disclosed on page 50. The non-audit fees includes tax compliance advice and remuneration committee support and are considered by the audit committee not to affect the auditors' independence or objectivity.

Following publication of the revised Combined Code on corporate governance, the Terms of Reference of the audit committee have been expanded. These are published on the company's website.

Remuneration committee

The remuneration committee comprises Dudley Fishburn as chairman, together with Jonathan Agnew, Andy Pomfret, Joe Sargent, and Tom Sullivan. The work of the remuneration committee is covered further in the directors' remuneration report on pages 28 to 35.

Copies of executive directors' service contracts and the terms and conditions of appointment of the non-executive directors are available for inspection at the company's office during normal business hours.

The Terms of Reference of the remuneration committee are published on the company's website.

Nomination committee

The nomination committee consists of Jonathan Agnew as chairman, together with Dudley Fishburn, Andy Pomfret and Joe Sargent. It meets as required and makes recommendations to the board on all board appointments, including the selection of non-executive directors. The Terms of Reference of the nomination committee are published on the company's website.

Investment committee

The investment committee consists of Jonathan Agnew as chairman, together with Andrew Horton, Joe Sargent, Neil Maidment, George Blunden and Arthur Manners. The committee makes recommendations to the board regarding the investment policy of the Beazley Group and syndicate operations, including the establishment of investment guidelines and monitoring of performance and compliance with those guidelines.

George Blunden was appointed member of the investment committee on 23 April 2003 as he is a non-executive director of Beazley Furlonge Limited, the company's principal operating subsidiary and managing agent for syndicates 623 and 2623.

The Terms of Reference of the investment committee are published on the company's website.

Shareholder communication

The company places great importance on communication with shareholders. The full report and accounts and the interim report are mailed to all shareholders and, on request, to other parties who have an interest in the group's performance. The company responds to individual letters from shareholders and maintains a separate investor relations centre within the existing www.beazley.com website as a repository for all investor relations matters.

There is a regular dialogue with institutional shareholders as well as general presentations after the preliminary and interim results. During the year Jonathan Agnew attended a number of meetings with the institutional shareholders. The board is advised of any specific comments from institutional investors to enable them to develop an understanding of the views of major shareholders. All shareholders have the opportunity to put questions at the company's annual general meeting.

Audit and internal control

The respective responsibilities of the directors and the auditors in connection with the accounts are explained on pages 39 and 40, and the statement of directors on going concern on page 37.

Following the publication of guidance for directors: Guidance on Internal Control (the Turnbull Guidance), the board confirms that there is an ongoing process for identifying, evaluating and managing any compliance issues and significant risks faced by the group. As risk management is integral to the day-to-day group and syndicate operations, one of the key risk management controls to note is the preparation and review of realistic disaster scenario calculations. The process has been in place since January 2002 and is regularly reviewed by the board.

The directors are responsible for the group's system of internal control and for reviewing its effectiveness. However, such a system can only provide reasonable, but not absolute, assurance against material misstatement or loss. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives within parameters set by the board.

The key procedures that the directors have established to ensure that internal controls are effective and commensurate with a group of this size include the day-to-day supervision of the business by the executive directors. Other internal control procedures and reviews for effectiveness by the board include the:

– Preparation of standard monthly, quarterly and periodic reporting as prescribed by the board for review by the various group committees;
– Review of financial, operational and compliance reports from management; and
– Review of any significant issues arising from the external audits.

Further information on the role of the audit committee is set out above. The committee, on behalf of the board, has approved the establishment of an internal audit function and the internal audit plan for 2004. Internal audit report directly to the audit committee, whose Terms of Reference include approving the appointment, or termination of appointment, of the head of internal audit and monitoring and reviewing the effectiveness of the company's internal audit function.

Directors' remuneration report

Consideration of matters relating to directors' remuneration

The remuneration policy is set by the board and is described below. Individual remuneration packages are determined by the remuneration committee within the framework of this policy. The remuneration committee consists of the non-executive directors and during the year ended 31 December 2003 was made up of Dudley Fishburn as chairman, Jonathan Agnew, Joe Sargent, Tom Sullivan and Andy Pomfret, who was appointed to the committee on 12 June 2003. The committee met five times during the year.

The remuneration committee receives advice from a variety of sources on issues where it considers it appropriate. Representatives of KPMG LLP as consultants advised the remuneration committee during the year on any ongoing remuneration issues. During this period, KPMG Audit plc also acted as the company's auditors. The committee also calls on specialist advice from a variety of additional sources including Robert Fleming Insurance Brokers for pensions advice; Watson Wyatt publications for salary data; The Share Option Centre; and internal advisors including the CEO, the Chief Operating Officer and the Company Secretary who present to the committee on specific issues.

Remuneration policy statement

The directors believe that performance related remuneration is an essential motivation to management and staff, and this policy will form the basis for determining executive directors' remuneration for the forthcoming years. The general philosophy underlying the reward strategy for executive directors is the same as that applied to all other employees. Pay and employment conditions elsewhere in the company and data on comparable positions in other similar organisations are taken into consideration when determining executive directors' remuneration.

The company's policy is to remunerate the executive directors and other management fairly in such a manner as to facilitate the recruitment, retention and motivation of suitably qualified personnel. The measurement of the executive directors' performance and their determination of the annual remuneration package is undertaken by the remuneration committee. The main elements of the remuneration package payable under the service agreement of each executive director comprise basic salary, short-term incentive payments, pension contributions, share-based incentives and other benefits. Other benefits include private medical insurance for the director and his immediate family, permanent health insurance, death in service benefit at four times' annual salary, accident and travel insurance, healthcare membership, season ticket, car parking and the provision of either a company car or a monthly car allowance.

In line with Lloyd's market practice there are no upper limits on the amounts payable to individuals under short-term incentives. The methodologies used are detailed in the following section. The incentive payments, which comprise short-term incentive payments and share options, are awarded on a discretionary basis, and are determined by the remuneration committee in respect of performance. The policy is to ensure that a material proportion of each executive director's overall remuneration is performance based.

The remuneration of the non-executive directors is determined by the board on an annual basis with details set out opposite. No director plays a part in any discussion about his own remuneration.

In respect of share options the directors believe that a key element of remuneration strategy should be the grant of share options through share incentive plans, to align further the interests of participants in the plans with shareholders' interests. Entitlements under such plans are subject to the achievement of performance conditions as described below under "share and long-term incentive plan awards".

Section headings marked • indicate the information in that section that has been audited.

• Service contracts

The company has service contract with executive directors. It is company policy that such contracts contain notice periods of not more than twelve months.

Details of the contracts currently in place for executive directors who have served during the year and their basic salary for 2004 are as follows:

	Annual salary £	Date of contract	Unexpired term*	Notice period	Provision for compensation
A F Beazley	320,000	6 Nov 2002	n/a	12 months	Nil
N H Furlonge	230,000	6 Nov 2002	n/a	12 months	Nil
J G Gray	235,000	6 Nov 2002	n/a	12 months	Nil
D A Horton	207,000	1 Jun 2003	n/a	12 months	Nil
N P Maidment	230,000	6 Nov 2002	n/a	12 months	Nil
J G B Rowell	275,000	6 Nov 2002	n/a	12 months	Nil

*the unexpired term is not applicable as each of the executive directors' contracts are on a rolling basis.

Subject to the notice requirements described above, there is no provision in the service agreements for compensation to be payable on early termination of the contract.

Non-executive directors

Non-executive directors are appointed for fixed terms, normally for three years, and may be reappointed for future terms. Non-executive directors are typically appointed through a selection process based upon the candidate that can bring to the group the desired competence and skills.

The board has identified several key competencies for non-executive directors to complement the existing skill-set of the executive directors. These competencies are as follows:

- Insurance sector expertise;
- Asset management skills;
- Public company and corporate governance experience; and
- Risk management skills.

The company's policy is to ensure that sufficient non-executive directors are appointed to the board able to provide all these key competencies.

	Annual fee £	Term of appointment	Expires	Other income* £
J G W Agnew	50,000	3 years	6 Nov 2005	–
J D Fishburn	20,000	3 years	6 Nov 2005	18,000
A D Pomfret	20,000	3 years	12 Jun 2006	18,000
J D Sargent	23,000	3 years	6 Nov 2005	20,000
T F Sullivan	20,000	3 years	6 Nov 2005	10,000

* Other income relates to membership of each non-executive director on board committees (investment, audit, remuneration and nomination committees). Non-executive directors are entitled to £5,000 per annum in respect of their membership of each committee, with an additional £3,000 per annum in respect of the chairmanship of a committee.

Directors' remuneration report

Individual aspects of remuneration

• Details of individual emoluments and compensation

The emoluments in respect of qualifying services and compensation of each person who served as a director during the year were as follows:

	Salary & fees[1] £	Bonus £	Benefits[2] £	Total for 12 months to 31 December 2003 £	Total for 6 months to 31 December 2002 £
J G W Agnew	45,000	–	–	45,000	10,777
A F Beazley	310,000	115,000	13,545	438,545	489,035
J D Fishburn	36,500	–	–	36,500	3,000
N H Furlonge	220,000	65,000	15,119	300,119	235,096
J G Gray	225,000	160,000	12,130	397,130	274,542
D A Horton[3]	112,308	100,000	1,844	214,152	–
N P Maidment	220,000	160,000	15,000	395,000	256,489
A R Manners[4]	74,461	–	6,090	80,551	193,034
A D Pomfret[5]	19,000	–	–	19,000	–
J G B Rowell	230,000	75,000	2,019	307,019	317,469
J A Sargent	51,500	–	–	51,500	22,925
T F Sullivan	39,162	–	–	39,162	5,000

1 Fees relate to membership of each director other than the chairman on board committees (investment, audit, remuneration and nomination committees). Non-executive directors are entitled to £5,000 per annum in respect of their membership of each committee, with an additional £3,000 per annum in respect of the chairmanship of a committee.

2 The benefits comprise those detailed in the service contracts of the executive directors and relate to standard benefits such as private medical insurance, car allowance etc.

3 D A Horton was appointed on 12 June 2003.

4 A R Manners resigned from the Board on 12 June 2003 but remains as a key part of the management team and the figure shown in the table above are for his services as a director only. His salary and benefits have remained consistent with those of other directors in this period.

5 A D Pomfret was appointed on 12 June 2003.

• Short-term incentive plan (STIP)

The total pool available for distribution to participants equals 5.83% of the profits of the syndicates as reported on an annual accounting basis. A proportion of this pool has been allocated among executive directors at the discretion of the remuneration committee.

2002 share underwriting agreement

Based on an agreement with institutional shareholders made prior to the IPO in relation to the overall valuation of the Beazley Group, 11.67% of the 2002 profits of syndicate 623 will be allocated among Beazley employees and directors (including some non-executive directors) in proportion to their individual shareholdings immediately prior to the IPO. This is referred to as the "2002 Shareholders' Pool". This proportion of 2002 profits will be distributed as cash payments. The profits will be recognised on an annual accounting basis and will be payable in the years 2003 to 2005. The amounts shown below are the payments payable in 2003 and 2004. The final payment will be determined when the 2002 year of account closes which is expected to occur at 31 December 2004.

	Shareholders' Pool	
	2002 £	2003 £
J G W Agnew	3,277	8,572
A F Beazley	263,868	785,716
J D Fishburn	–	–
N H Furlonge	95,951	285,712
J G Gray	131,906	392,773
D A Horton	–	–
N P Maidment	115,142	342,857
A R Manners	38,381	114,286
A D Pomfret	–	–
J G B Rowell	163,117	485,712
J D Sargent	9,567	28,487
T F Sullivan	–	–

• Pensions

The company provides pension entitlements to directors that are defined benefit in nature. Details of the entitlements of those who served as directors during the year are as follows:

	Accrued benefit at 31 Dec 2003 £	Increase in accrued benefits excluding inflation (A) £	Increase in accrued benefits including inflation £	Transfer value of (A) less directors' contributions £	Transfer value of accrued benefits at 31 Dec 2003 £	Increase in transfer value less directors' contributions £
A F Beazley	136,548	7,381	7,381	69,521	1,286,142	134,867
N H Furlonge	107,105	5,789	5,789	65,414	1,210,250	135,426
J G Gray	18,700	1,930	2,270	18,797	182,129	31,491
N P Maidment	22,138	1,993	2,396	12,408	137,824	22,087
A R Manners	17,188	1,770	2,083	12,854	124,817	21,165
J G B Rowell	19,250	1,940	2,290	12,539	124,424	20,860

All executive directors, except D A Horton, participate in the Beazley Furlonge Limited Pension Scheme which is a non-contributory final salary scheme subject to applicable Inland Revenue restrictions. All executive directors, except A F Beazley and N H Furlonge, are subject to the Inland Revenue Earnings Cap on pension entitlements. This scheme closed to new members with effect from 31 December 2002.

D A Horton is a member of the money purchase pension scheme arranged through the Cooperative Insurance Society, which is non-contributory. The contributions made for D A Horton in the year were as follows:

	Contributions paid in 2003* £	Contributions paid in previous year £	Total contributions £
D A Horton	7,218	0	7,218

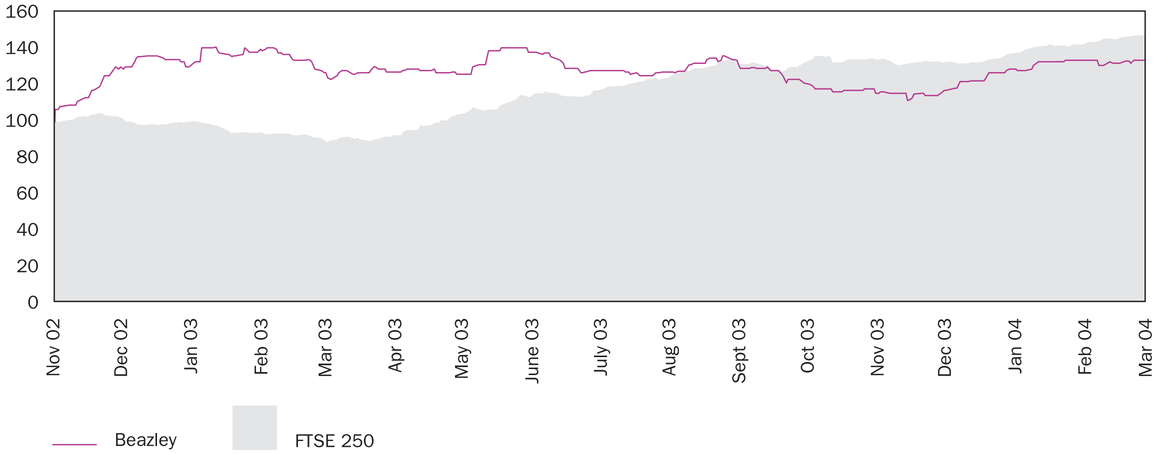
* Contribution made at 12.5% of base salary subject to Inland Revenue Earnings Cap.

No other pension provisions are made. The normal retirement age for pension calculation purposes is 60 years. A spouse's pension is the equivalent of two-thirds of the member's pension (before any commutation) payable on the member's death after retirement.

Total shareholder returns

The performance of the group's share price since listing on the London Stock Exchange on 12 November 2002 is shown below. The company has shown the share price performance against the FTSE 250 small cap index as this is considered the most appropriate index. The index has been rebased to 100 on 12 November 2002. The chart below is over a short period, and may not be representative of the performance of the company over a longer term. The listing price of 73p on 12 November 2002 compares with a share price of 98p at the year-end. The highest and lowest market prices during the year were 104p and 81p respectively.

Shareholder returns



Share and long-term incentive plan awards (LTIP)

The company operates a variety of long-term, share-based incentives including a pre-IPO plan, approved and unapproved option plans, a long-term incentive (LTIP) and a save as you earn (SAYE), which are detailed below.

• The pre-IPO plan

Participation in the pre-IPO plan is restricted to employees and full-time executive directors of the Beazley Group. Participants were selected on a discretionary basis. No payment is required for the grant of an option.

All options under the pre-IPO plan were granted on 6 November 2002 and no further grants are anticipated. The exercise price per ordinary share for this grant is 73p, and options will normally be exercisable (subject to meeting the performance conditions set out below) between the third and the tenth anniversaries of grant.

Vesting is subject to performance conditions and no option may be exercised unless the option has vested. The option will vest if a total shareholder return (TSR) (being the increase in price of an ordinary share plus the value of ordinary shares which could be acquired using dividends paid by the company) performance target is achieved. This requires the company's TSR growth to be at least 100% measured using an average share price over at least 30 successive trading days during the year from admission to the 30 trading days after the announcement of the company's results for the financial year ending 31 December 2005.

If the performance target is not achieved within this period, the TSR target will be increased by 10% per annum for a further two years. However, a maximum of only 75% of the options can vest if the target is achieved within the first year of the additional period and a maximum of only 50% of the options can vest if the target is achieved in the second year. If the target is still not achieved after the two additional years, all the options under the plan will lapse.

The above performance conditions were set when the scheme was established by board resolution on 6 November 2002. These conditions were considered appropriate because a target TSR growth of 100%, while imposing a demanding requirement on the participants, would, if achieved, ensure that shareholders also receive attractive returns.

• The unapproved share option plan

Participation in the unapproved plan is restricted to employees and full-time executive directors of the Beazley Group. Participants are selected on a discretionary basis. No payment is required for the grant of an option.

Under both the approved and unapproved share option plans, options are subject to performance conditions and typically vest on the third anniversary of the date of grant, provided that the participant has remained in employment to that date. The performance conditions require the company's Net Asset Value (NAV) plus dividends per share growth to increase as follows over a three year period:

a. an option may be exercised over all ordinary shares under option if the cumulative growth in NAV plus dividends per share is equal to or exceeds the risk free rate of return (this being defined as the average yield of UK gilts with maturity dates within the next five years) in the relevant period plus 10% per annum;

b. an option may be exercised over half the ordinary shares under option if the cumulative growth in NAV plus dividends per share is equal to the risk free rate of return plus 5% per annum;

c. for performance where the cumulative growth in NAV plus dividends per share equals a number between the risk free rate of return plus 5% and 10% per annum, the number of ordinary shares over which an option can be exercised will be calculated on a straight line basis between these two points;

d. if the option is not fully exercisable at the end of the three year period, it will be re-tested once, on the fourth anniversary of the date of grant, from a fixed base. The option is exercisable over whichever is the higher number of options vesting; and

e. the option will lapse if NAV plus dividends per share performance is below the risk free rate of return plus 5% per annum in both periods.

The performance conditions above were set when these plans were established by board resolution on 6 November 2002. These performance conditions were considered to be appropriate as, they impose demanding performance requirements, while ensuring that shareholders also receive attractive returns over the performance period.

• The approved share option plan

Participation in the approved plan is restricted to employees and full-time executive directors of the Beazley Group. The terms and conditions are consistent with the unapproved plan, except that that plan has been approved by the Inland Revenue.

• The long-term incentive plan

Participation in the long-term incentive plan is restricted to employees and full-time executive directors of the Beazley Group. Participants are selected on a discretionary basis, and receive awards of free shares in the form of a nil-cost option, thus, no exercise price is payable. The options will normally be exercisable (subject to meeting the performance conditions set out below and provided that the participant continues in the employment of the company at that date) between the third and tenth anniversaries of grant.

Performance is measured against the company's relative total shareholder return (TSR) and a measure to determine the underlying financial performance of the company. The company's TSR growth is compared with that of members of a comparator group comprising 12 companies from the insurance sector (the "comparator group") over a three year period starting with the year in which the award is made. The comparator group is defined as the Lloyd's vehicles listed on the London Stock Exchange and includes the following companies:

- Amlin
- Atrium
- Brit Insurance
- Chaucer
- Cox
- Goshawk
- Hardy
- Highway
- Hiscox
- Kiln
- SVB
- Wellington

Options vest based on the TSR rank achieved by Beazley among the comparator group based on the following:

a. for performance below the median no options vest and they lapse immediately;

b. 50% of options vest for performance at the median;

c. 100% of options vest for performance at or above the upper quartile;

d. for performance between the median and the upper quartile, the amount vesting is determined on a straight-line basis between the median and the upper quartile; and

e. there is no opportunity for retesting.

In addition, options will vest only if the remuneration committee is also satisfied that the company has shown sustained financial performance during the measurement period. The remuneration committee will set the appropriate target with reference to the underwriting conditions at the time of grant. For awards made to date under this plan, underlying financial performance is measured by reference to the growth of the company's Net Asset Value (NAV) plus dividends over the measurement period. The target NAV plus dividends growth for these awards was set at the risk free rate of return plus 5% per annum.

The long-term incentive plan performance conditions were set when the scheme was established by board resolution on 6 November 2002. These conditions were considered appropriate because they reward performance on a sector basis.

Details of entitlements under this plan, which are all subject to the above performance conditions, for directors who served during the period, are set out in the table overleaf. All provisional awards during the period were made on 15 May 2003 when the share price was 92p and 13 June 2003 when the share price was 101p. No provisional awards were exercised during the period as none have vested unconditionally since the first grant was made under this plan.

Save as you earn scheme

A save as you earn scheme, administered by Abbey National Bank plc, was launched in May 2003 for the benefit of staff. The scheme rules were approved by the Inland Revenue under schedule 9 to the Income and Corporation Taxes Act 1998.

The scheme offered a three year savings contract period with options being offered at a price of 75p, representing the maximum allowed discount of 20%. Monthly contributions are made through payroll deduction directly to individual Abbey National accounts on behalf of participating employees.

All employees who had completed their probationary period prior to the closure of the invitation period were considered eligible to participate in the scheme.

• Directors' share scheme interests

Details of share options of those directors who served during the period are as follows:

	Scheme	At 31 Dec 2002	Awarded	Exercised	Lapsed	At 31 Dec 2003	Ex. price	Earliest date of exercise	Expiry date
A F Beazley	Pre-IPO plan	975,288	–	–	–	975,288	73p	06/11/05	06/11/12
	Unapproved plan	238,870	–	–	–	238,870	73p	06/11/05	06/11/12
	Unapproved plan	–	150,000	–	–	150,000	92p	15/05/06	15/05/13
	LTIP	79,623	–	–	–	79,623	Nil	06/11/05	06/11/12
	LTIP	–	50,000	–	–	50,000	Nil	15/05/06	15/05/13
	SAYE 2003	–	12,600	–	–	12,600	75p	01/07/06	01/01/07
N H Furlonge	Pre-IPO plan	401,589	–	–	–	401,589	73p	06/11/05	06/11/12
	Unapproved plan	90,411	–	–	–	90,411	73p	06/11/05	06/11/12
	Unapproved plan	–	70,968	–	–	70,968	92p	15/05/06	15/05/13
	LTIP	30,137	–	–	–	30,137	Nil	06/11/05	06/11/12
	LTIP	–	23,656	–	–	23,656	Nil	15/05/06	15/05/13
	SAYE 2003	–	12,600	–	–	12,600	75p	01/07/06	01/01/07
J G Gray	Pre-IPO plan	803,178	–	–	–	803,178	73p	06/11/05	06/11/12
	Unapproved plan	115,582	–	–	–	115,582	73p	06/11/05	06/11/12
	Unapproved plan	–	90,726	–	–	90,726	92p	15/05/06	15/05/13
	LTIP	38,527	–	–	–	38,527	Nil	06/11/05	06/11/12
	LTIP	–	30,242	–	–	30,242	Nil	15/05/06	15/05/13
	SAYE 2003	–	12,600	–	–	12,600	75p	01/07/06	01/01/07
D A Horton	Pre-IPO plan	–	–	–	–	–	–	–	–
	Approved plan	–	29,702	–	–	29,702	101p	13/06/06	13/06/13
	Unapproved plan	–	155,941	–	–	155,941	101p	13/06/06	13/06/13
	LTIP	–	61,881	–	–	61,881	Nil	13/06/06	13/06/13
	SAYE 2003	–	–	–	–	–	–	–	–
N P Maidment	Pre-IPO plan	860,548	–	–	–	860,548	73p	06/11/05	06/11/12
	Unapproved plan	113,014	–	–	–	113,014	73p	06/11/05	06/11/12
	Unapproved plan	–	88,710	–	–	88,710	92p	15/05/06	15/05/13
	LTIP	37,671	–	–	–	37,671	Nil	06/11/05	06/11/12
	LTIP	–	29,570	–	–	29,570	Nil	15/05/06	15/05/13
	SAYE 2003	–	12,600	–	–	12,600	75p	01/07/06	01/01/07
A R Manners	Pre-IPO plan	172,110	–	–	–	172,110	73p	06/11/05	06/11/12
	Approved plan	–	32,608	–	–	32,608	92p	15/05/06	15/05/13
	Unapproved plan	67,808	–	–	–	67,808	73p	06/11/05	06/11/12
	Unapproved plan	–	20,618	–	–	20,618	92p	15/05/06	15/05/13
	LTIP	22,603	–	–	–	22,603	Nil	06/11/05	06/11/12
	LTIP	–	17,742	–	–	17,742	Nil	15/05/06	15/05/13
	SAYE 2003	–	12,600	–	–	12,600	75p	01/07/06	01/01/07
J G B Rowell	Pre-IPO plan	573,699	–	–	–	573,699	73p	06/11/05	06/11/12
	Unapproved plan	118,151	–	–	–	118,151	73p	06/11/05	06/11/12
	Unapproved plan	–	92,742	–	–	92,742	92p	15/05/06	15/05/13
	LTIP	39,384	–	–	–	39,384	Nil	06/11/05	06/11/12
	LTIP	–	30,914	–	–	30,914	Nil	15/05/06	15/05/13
	SAYE 2003	–	12,600	–	–	12,600	75p	01/07/06	01/01/07

LTIP awards mid market price at 14 May 2003 was 92p (Source: Bloomberg)
LTIP awards mid market price at 12 June 2003 was 101p (Source: Bloomberg)

• Directors' interests in shares

Details of the ordinary shareholdings of the directors who held office during the year are as follows:

	Number of ordinary shares held at 1 January 2003	Acquired during year	Number of ordinary shares held as at 31 December 2003	Shareholding as a percentage of the total issued ordinary share capital as at 31 December 2003
J G W Agnew	72,713	–	72,713	0.03
A F Beazley	6,734,310	37,500	6,771,810	2.95
J D Fishburn	–	10,000	10,000	0.00
N H Furlonge	2,451,307	–	2,451,307	1.07
J G Gray	3,339,043	–	3,339,043	1.46
D A Horton	–	23,203	23,203	0.01
N P Maidment	2,915,545	–	2,915,545	1.27
A R Manners	969,572	–	969,572	0.42
A D Pomfret	–	10,500	10,500	0.00
J G B Rowell	4,120,663	–	4,120,663	1.80
J D Sargent	1,112,760	–	1,112,760	0.48
T F Sullivan	–	–	–	–

With a total of 229,479,452 issued shares at 31 December 2003, the directors held 9.5%.

• Underwriting interests on syndicate 623

The following directors participated in syndicate 623 either directly through NameCos or indirectly through Beazley Staff Underwriting:

	2003 year of account £	2004 year of account £
A F Beazley	1,100,000	1,357,710
N H Furlonge	–	132,000
J G Gray	–	132,000
D A Horton	–	132,000
N P Maidment	–	132,000
A R Manners	375,000	500,000
J G B Rowell	1,000,000	1,116,100
J D Sargent	1,000,000	1,280,000

The directors believe that it is important that the incentive arrangements include an element of downside risk to align further with the interests of capital providers. The directors participate in the underwriting and have exposure to underwriting results either through direct involvements in NameCos or through participation in Beazley Staff Underwriting Limited that provides an indirect involvement in the results of the syndicate. The majority of underwriters and claims staff have an interest through this company and have agreed to defer future bonuses that will be at risk if the syndicate declares losses.

N H Furlonge has a shareholding of approximately 5% in D3 Human Resources Limited which provides Beazley Group plc with consultancy advice on training. D3 Human Resources Limited receives fees, on normal commercial terms, for the services it provides to the Beazley Group.

T F Sullivan is a director of SP004, which was incorporated as a subsidiary of Aon Corporation, Inc (Aon) for the purpose of Aon's investment in Beazley Group plc. He is no longer a director of any Aon operating subsidiaries. Mr Sullivan did not take part in the resolution to approve, or any discussions concerning, the subscription by SP004 of ordinary shares.

G Blunden is a non-executive director of Beazley Furlonge Limited, and is a director of Alliance Capital Limited. Alliance Capital Limited provides investment management advice to the Beazley Group.

Annual general meeting

A resolution will be proposed at the forthcoming annual general meeting to be held on 21 June 2004 to approve this directors' remuneration report.

By order of the board

J P Gorman FCA
Company Secretary

One Aldgate
London EC3N 1AA

22 March 2004

Directors' report

The directors have pleasure in presenting their report and the audited financial statements of the group for the year ended 31 December 2003.

Principal activity

The company is the ultimate holding company for the Beazley Group which includes Beazley Furlonge Limited, a Lloyd's managing agency that manages the underwriting of syndicate 623 and syndicate 2623 with a combined 2003 capacity of £660m, and Beazley Underwriting Limited, a corporate member of Lloyd's, the sole capital provider of syndicate 2623 with an underwriting capacity in 2003 of £330m, together with a number of subsidiary corporate members.

Review of business

A more detailed review of the business for the year and a summary of future developments are included in the chairman's statement on page 2 and the chief executive's review on pages 8 to 13.

Results and dividends

The consolidated profit after taxation for the year ended 31 December 2003 amounted to £11.8m (six months ended 31 December 2002: loss £1.1m).

The directors recommend a final dividend of 0.5p per share. This, when taken with the interim dividend of 0.25p per share, gives a total dividend of 0.75p per share for the year ended 31 December 2003 (six months ended 31 December 2002: nil).

Directors

The directors of the company at 31 December 2003, who served throughout the year and to the date of this report except where otherwise shown, were as follows:

Jonathan Geoffrey William Agnew	(non-executive chairman)	
Andrew Frederick Beazley	(chief executive)	
David Andrew Horton	(group finance director)	Appointed 12 June 2003
Nicholas Hill Furlonge	(director)	
Jonathan George Gray	(director)	
Neil Patrick Maidment	(director)	
Jonathan George Benton Rowell	(director)	
John Dudley Fishburn	(non-executive director)	
Andrew David Pomfret	(non-executive director)	Appointed 12 June 2003
Joseph Denny Sargent	(non-executive director)	
Thomas Francis Sullivan	(non-executive director)	

On 12 June 2003, Jonathan Agnew was appointed chairman in place of Joe Sargent, who remains as a non-executive director. Arthur Manners, who was a director at 1 January 2003, resigned as a director on 12 June 2003, and remains as a director of Beazley Furlonge Limited.

In accordance with the articles of association, Jonathan Agnew, Dudley Fishburn and Andrew Beazley retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Andrew Horton and Andy Pomfret, who were appointed since the last annual general meeting, retire in accordance with the articles of association and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Joe Sargent is aged 74 and, in accordance with the requirements of sections 293 and 379 of the Companies Act 1985, special notice has been given in respect of Ordinary Resolution no. 6, which proposes his re-appointment as a non-executive director. The board believe that by virtue of his considerable insurance industry and management and public company experience, Joe Sargent makes an important contribution to the board.

Details of directors' service contracts and beneficial interests in the company's share capital are given in the directors' remuneration report on pages 28 to 35. Biographies of directors seeking re-election are set out on page 22.

Corporate governance

The company's compliance with corporate governance is disclosed in the corporate governance statement on pages 24 and 25.

International Financial Reporting Standards (IFRS)

These financial statements have been prepared in accordance with applicable UK accounting standards (UK GAAP). The group has started but not yet completed the process of identifying all disclosures, presentation or classification differences that would affect the manner in which transactions or events are presented, nor has it fully quantified the effects of the differences. The International Accounting Standards Board, which develops and issues IFRSs, has significant ongoing projects that could affect the difference between current UK GAAP and IFRS. The actual impacts on the consolidated financial statements of the adoption of IFRS will depend on the standards applicable and the particular circumstances prevailing on adoption of IFRS on 1 January 2005.

Going concern

The directors have prepared these accounts on a going concern basis, as they are of the opinion that the company will be able to pay its debts as and when they fall due.

After reviewing the group's budgets and medium term plans, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

Supplier payment policy

The group's policy for the year ending 31 December 2003, for all suppliers, is to fix terms of payment when agreeing the terms of each business transaction, to ensure the supplier is aware of those terms and to abide by the agreed terms of payment. The group had an average 23 days purchases included in trade creditors at 31 December 2003 (2002: 45 days).

Environmental and social responsibility

The board recognises the importance of managing the impact its operations have on the environment and aims to conduct business in a way that is mindful of all social and environmental implications. We acknowledge the Association of British Insurers (ABI) guidelines published in October 2001 on the disclosure of listed companies social responsibility policies and endeavour to adapt our business procedures where necessary to demonstrate further our commitment.

For many years, Beazley has taken an active role in reducing the amount of waste by encouraging the use of e-mail and the company intranet. It is also company policy to reduce the amount of paper stored in the office and recycle bins have been placed throughout the office to further reduce any unnecessary waste.

Beazley is committed to high standards of health and safety to create a safe environment for all employees and other persons that may be affected by the group's operations. All staff have access to this policy in the staff handbook and on the company's intranet.

The group also joined the Lloyd's Community Programme (LCP) in 2003 and manages a team of staff volunteers on both the LCP school reading and IT partners schemes within the Tower Hamlets school community. Beazley has had five people contributing to the scheme since 2002. Tower Hamlets is virtually next-door to the City of London, yet is one of the poorest councils in the United Kingdom.

Financial instruments and risk management

The board agrees and reviews policies and financial instruments for risk management.

Reinsurance is purchased to manage the syndicate exposure (on a series of catastrophe events) to within limits prescribed by the board. The group has negotiated specific facilities with financial institutions to finance catastrophe events and for working capital purposes as and when required. The group manages its foreign exchange exposure to ensure that material assets and liabilities exposed in foreign currencies are matched at all times.

Further information on borrowings and financial instruments is contained in notes 16 and 27 to the financial statements.

Directors' report

Substantial shareholdings

As at 11 March 2004, the board had been notified of, or were otherwise aware of, the following shareholdings of 3% or more of the company's issued ordinary share capital:

	Number of Ordinary shares	%
Amvescap plc and subsidiaries	48,192,773	21.0
Invesco Perpetual High Income Fund*	29,994,289	13.0
FMR Corporation and subsidiaries (Fidelity)	22,924,992	9.9
Stanlife Nominees Limited	11,319,369	4.9
Lehman Brothers International Europe PRNCIPA a/c	10,369,452	4.5
Legal & General Group plc	7,264,868	3.2

* Included within shareholding of Amvescap plc and subsidiaries

Charitable and political donations

The group made charitable donations during the year ended 31 December 2003 of £19,637 (six months ended 31 December 2002: £11,000). The group's charity budget is managed by a charity committee chaired by Nicholas Furlonge, and consideration is given to a wide range of activities.

No political donations were made in either of the current or prior reporting period.

Annual general meeting

Resolutions will be proposed at the forthcoming annual general meeting, *inter alia*, to:

- renew the directors' general authority to allot the company's ordinary shares up to an aggregate nominal amount of £3,525,752. This authority shall expire on whichever is the earlier of the conclusion of the annual general meeting of the company to be held in 2005 or the date falling fifteen months from the passing of this resolution. The directors have no present intention of exercising this authority, which represents 30.73% of the present issued share capital;
- approve a limited disapplication of pre-emption rights on allotments for cash up to an aggregate nominal amount of £570,000, representing 4.97% of the present issued share capital.

  Following the introduction of The Companies (Acquisitions of Own Shares) (Treasury Shares) Regulations 2003, companies are now able to hold shares acquired by way of market purchase in treasury, rather than cancelling them. The company may consider holding any of its own shares which it purchases pursuant to the authority conferred by the relevant resolution as treasury shares. This would allow the company to sell shares out of treasury, providing the company with the ability to replenish its distributable reserves. No dividends will be paid on any shares held in treasury and no voting rights will attach to such shares. It will also be possible for the company to transfer shares out of treasury pursuant to an employee share scheme;
- authorise the directors to make purchases of the company's ordinary shares in the market for cancellation when the directors consider that it would be in the best interests of the company to do so, up to an aggregate nominal amount of £570,000, representing 4.97% of the present issued share capital.

The notice of the annual general meeting is set out on pages 59 and 60.

Auditors

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

By order of the board

J P Gorman FCA
Company Secretary
One Aldgate
London EC3N 1AA

22 March 2004

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group 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;
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the group 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 statement complies with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Beazley Group plc

We have audited the financial statements on pages 41 to 58. We have also audited the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report and the directors' remuneration report. As described on page 39, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report to be audited have been 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 group is not disclosed.

We review whether the statement on pages 24 to 27 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report, including the corporate governance statement and the unaudited part of the directors' remuneration report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report to be audited. 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 group'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 and the part of the directors' remuneration report to be audited 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 and the part of the directors' remuneration report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2003 and of the profit of the group for the year then ended; and
- the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

22 March 2004

Consolidated profit and loss account
Technical account – general business for the year ended 31 December 2003

	Notes	Year ended 31 December 2003 £'000	Six months ended 31 December 2002 £'000
Earned premiums, net of reinsurance			
Gross premiums written	5	333,615	–
Outward reinsurance premiums		(68,932)	–
Net premiums written		264,683	–
Change in the gross provision for unearned premiums		(165,620)	–
Change in the provision for unearned premiums, reinsurers' share		32,743	–
Change in the net provision for unearned premiums		(132,877)	–
Earned premiums, net of reinsurance		131,806	–
Allocated investment return transferred from the non-technical account	7	8,740	–
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		(5,808)	–
Reinsurers' share		159	–
Net claims paid		(5,649)	–
Change in the provision for claims:			
Gross amount		(99,570)	–
Reinsurers' share		27,575	–
Change in the net provision for claims		(71,995)	–
Claims incurred, net of reinsurance		(77,644)	–
Net operating expenses	6	(43,035)	–
Balance on the technical account	5	19,867	–

All operations of the group are continuing

The notes on pages 46 to 58 form part of these financial statements.

Consolidated profit and loss account
Non-technical account for the year ended 31 December 2003

	Notes	Year ended 31 December 2003 £'000	Six months ended 31 December 2002 £'000
Balance on the technical account		19,867	–
Investment income		6,670	724
Unrealised gains/(loses) on investments		(682)	–
Investment management expenses and charges		(250)	–
		5,738	–
Allocated investment return transferred to the technical account	7	(8,740)	–
		(3,002)	–
Other income	8	11,245	3,187
Other charges:			
– Ordinary items	9	(10,993)	(3,141)
– Exceptional items		–	(1,933)
		(10,993)	(5,074)
Profit/(loss) on ordinary activities before tax		17,117	(1,163)
Comprising:			
Operating profit/(loss) based on longer term investment return	5	18,732	(1,635)
Share of operating profit of associate		1,387	472
Short term fluctuations in investment return		(3,002)	–
Tax on profit/(loss):			
– Ordinary activities	12	(5,295)	(91)
– Extraordinary item		–	180
Profit/(loss) on ordinary activities after tax		11,822	(1,074)
Dividends – interim paid		(574)	–
Dividends – final payable		(1,148)	–
	13	(1,722)	–
Retained profit/(loss) for the period		10,100	(1,074)
Earnings/loss per share:			
– Basic, based on profit/(loss) on ordinary activities after tax	14	5.2p	(1.7p)
– Diluted, based on profit/(loss) on ordinary activities after tax	14	5.2p	(1.7p)

The notes on pages 46 to 58 form part of these financial statements.

Statement of historical cost profits and losses

In accordance with the amendment to Financial Reporting Standards ("FRS") 3 "Reporting financial performance", no note of historical cost profits or losses has been prepared as the group's only material gains and losses on assets relate to the holding and disposal of investments.

Consolidated statement of total recognised gains and losses

For the year ended 31 December 2003

	Year ended 31 December 2003 £'000	Six months ended 31 December 2002 £'000
Profit/(loss) on ordinary activities after tax	11,822	(1,074
Exchange differences taken to reserves	(1,623)	–
Total recognised gains and losses	10,199	(1,074)

The notes on pages 46 to 58 form part of these financial statements.

Balance sheet
At 31 December 2003

	Notes	2003 Group £'000	2003 Company £'000	2002 Group £'000	2002 Company £'000
Assets					
Intangible assets	15	7,065	1,141	6,268	–
Investments					
Investment in associated undertaking		1,212	–	5,242	–
Investments in subsidiary undertaking		–	5,083	–	5,083
Other financial investments		241,043	131,700	132,418	132,397
	16	242,255	136,783	137,660	137,480
Reinsurers' share of technical provisions					
Provisions for unearned premiums	20	30,968	–	–	–
Claims outstanding	20	25,775	–	–	–
		56,743	–	–	–
Debtors					
Debtors arising out of direct insurance operations	17	58,780	–	–	–
Debtors arising out of reinsurance operations	17	19,851	–	–	–
Other debtors	18	1,621	8,038	1,239	1,639
		80,252	8,038	1,239	1,639
Other assets					
Cash at bank and in hand		19,407	419	4,990	4,558
Prepayments and accrued income					
Accrued interest		170	–	471	–
Deferred acquisition costs		30,484	–	–	–
Other prepayments and accrued income		9,282	175	1,868	496
Total assets		445,658	146,556	152,496	144,173
Liabilities					
Capital and reserves					
Called up share capital	22	11,474	11,474	11,474	11,474
Share premium account	23	132,377	132,377	132,377	132,377
Merger reserve		1,675	–	1,675	–
Profit and loss account		7,859	234	(618)	(1,057)
Shareholders' funds attributable to equity interests	23	153,385	144,085	144,908	142,794
Technical provisions					
Provision for unearned premiums	20	155,765	–	–	–
Claims outstanding	20	93,436	–	–	–
Deferred tax	21	3,506	–	–	–
Creditors					
Creditors arising out of direct insurance operations		135	–	–	–
Creditors arising out of reinsurance operations		28,334	–	–	–
Amounts owed to credit institutions		–	–	–	–
Other creditors including taxation and social security	19	3,564	2,143	5,522	1,203
Accruals and deferred income		7,533	328	2,066	176
Total liabilities		445,658	146,556	152,496	144,173

The financial statements were approved by the board of directors on 22 March 2004 and were signed on its behalf by:

J G W Agnew, Chairman

D A Horton, Group Finance Director

The notes on pages 46 to 58 form part of these financial statements.

Consolidated cash flow statement
For the year ended 31 December 2003

	Notes	Year ended 31 December 2003 £'000	Six months ended 31 December 2002 £'000
Net cash flow from operating activities	24	125,848	(1,604)
Servicing of finance:			
– Interest received		–	694
– Interest paid		–	(1,172)
Taxation recovered/(paid)		(1,091)	(1)
Capital expenditure – purchase of syndicate capacity		(1,141)	–
Equity dividends paid		(574)	–
(Decrease) in debt		–	(4,657)
Issue of ordinary shares		–	143,347
Net cash flows		123,042	136,607
Cash flows were invested as follows:			
Increase/(decrease) in cash holdings	25	14,417	4,209
Increase/(decrease) in debt securities and other fixed asset investments	25	108,625	132,398
Net investment of cash flows	25	123,042	136,607

The notes on pages 46 to 58 form part of these financial statements.

Notes to the financial statements

1. Basis of preparation

The financial information has been prepared in accordance with applicable accounting standards and under the historical cost convention rules, modified by the revaluation of investments, and in compliance with the Statement of Recommended Practice, "Accounting for Insurance Business" issued by the Association of British Insurers in December 1998 (the ABI SORP). The annual basis of accounting as described in the ABI SORP has been adopted. The group also complies with section 255A of, and schedule 9A to the Companies Act 1985.

The balance sheet of the parent company is prepared in accordance with the provisions of section 226 of, and schedule 4 to, the Companies Act 1985.

2. Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of the company and its subsidiary undertakings up to 31 December each year. Profits or losses of subsidiary undertakings sold or acquired during the period are included in the consolidated results up to the date of disposal or from the date of acquisition, where acquisition accounting was adopted.

Certain group subsidiaries underwrite as corporate members of Lloyd's on the syndicate managed by Beazley Furlonge Limited (the "managing agent"). In view of the several liability of underwriting members at Lloyd's for the transactions of syndicates in which they participate, the attributable share of the transactions, assets and liabilities of the syndicate has been included in the financial statements.

3. Accounting policies

a. Change to the accounting policy

The group financial statements have been prepared in accordance with section 255A of, and schedule 9A to, the Companies Act 1985. Previous financial statements were prepared in accordance with schedule 4 to the Companies Act 1985. There is no impact of the change in accounting policy on the group results. This change in accounting policy is required to reflect the technical underwriting balances from the group's participation on syndicate 2623 from 1 January 2003 in accordance with ABI SORP.

b. Premiums

Gross premiums written represent premiums on business incepting in the financial 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.

c. Unearned premiums

A provision for unearned premiums is made which represents that part of the gross premiums written, and reinsurers' share of premiums written, that is estimated will be earned in the following financial periods. It is calculated using the daily pro rata method where the premium is apportioned over the period of risk.

d. Acquisition costs

Acquisition costs comprise brokerage, staff and staff related costs of the underwriters acquiring the business, and premium levy. The proportion of acquisition costs in respect of unearned premiums is deferred at the balance sheet date and recognised in later periods when the related premiums are earned.

e. Claims

Claims incurred represent the cost of claims and claims handling expenses paid during the financial year, together with the movement in provisions for outstanding claims, claims incurred but not reported (IBNR) and future claims handling provisions. Reinsurance recoveries are accounted for in the same period as the incurred claims for the related business.

The provision for claims comprises amounts set aside for claims advised and IBNR. The IBNR amount is based on estimates calculated using widely accepted statistical techniques (e.g. "chain ladder") which are reviewed annually by external consulting actuaries. The techniques generally use projections, based on past experience of the development of claims over time, to form a view on the likely ultimate claims to be experienced. For more recent underwriting, regard is given to the variations in the business portfolio accepted and the underlying terms and conditions. Thus, the critical assumptions used when estimating claims provisions are that the past experience is a reasonable predictor of likely future claims development and that the rating and other models used to analyse current business are a fair reflection of the likely level of ultimate claims to be incurred.

The reinsurers' share of provisions for claims is based on calculated amounts for 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.

Every effort is made to ensure that all claims incurred are adequately provided for but adjustments may be necessary in later periods as a result of subsequent information and events. Any adjustments to claims provisions established in prior years are made in the financial period in which the need for a further provision becomes apparent.

f. Investments

Listed group investments are stated at market value. Other group investments are stated at directors' valuation. Investment income, interest receivable and investment management expenses on these items are included in the profit and loss account on an accruals basis. All gains and losses on group investments representing the difference between the current value of investments at the balance sheet date and their purchase price are taken to the profit and loss account. Realised gains and losses on group interests representing the difference between net sales proceeds and purchase price are accounted for in the non-technical account. On disposals during the accounting period, an adjustment is made for previously recognised unrealised gains and losses.

Investments included in the company balance sheet are stated at market value or directors' valuation. To the extent that unrealised gains are made on these investments these are taken to a revaluation reserve.

Investments in subsidiary undertakings received in the company's own balance sheet are stated at cost less premiums for any impairment.

g. Allocation of investment return

All of the investment returns arising in the year are reported in the non-technical account. In accordance with the ABI SORP, a transfer is made from the non-technical account to the technical account which represents the income earned on the investments held for underwriting purposes to reflect the longer term rate of return on the group/syndicate investment funds. In Beazley Group's case, all the investments are held for underwriting purposes.

The long-term rate of return is an estimate of the long-term investment return for each relevant category of asset with regard to past performance, current trends and expectations as to future income, taking into account economic and investment forecasts.

h. Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over the directors' estimate of its useful economic life, 20 years. Provision is made for any impairment.

i. Other intangible assets

Other intangible assets are the cost of purchasing the group's participation in syndicate 2623. In accordance with FRS 10, this capacity is capitalised at cost in the balance sheet and amortised over its useful economic life which the directors consider to not exceed 20 years. Provision is made for any impairment.

j. Rates of exchange

Profit and loss transactions have been translated into sterling at the average rate of exchange for the period. Assets and liabilities included on the balance sheet have been translated into sterling at the rate of exchange at the balance sheet date. Any differences arising from this conversion have been taken into the profit and loss reserve via the statement of total recognised gains and losses.

k. Pension costs

Pension contributions in respect of defined benefit schemes are charged against profits, with pension surpluses and deficits allocated over the remaining service periods of current employees.

Pension contributions for defined contribution schemes are charged to the profit and loss account on an accrual basis.

l. Leases

Rentals payable under operating leases are charged on a straight line basis over the term of the lease.

m. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

n. Deferred tax

Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date.

4. World Trade Center

As the group commenced underwriting through syndicate 2623 on 1 January 2003, the directors estimate there to be no material impact on results or provisions arising from the terrorist attacks in the USA on 11 September 2001.

5. Segmental analysis

An analysis of the total operating profit and net assets of the group is as follows:

	Year ended 31 December 2003 £'000	Six months ended 31 December 2002 £'000
Operating profit/(loss)		
Underwriting at Lloyd's	11,223	–
Managing agency	1,135	328
Other group income and expenses	6,374	(1,963)
Total operating profit/(loss)	18,732	(1,635)
Net assets		
Underwriting at Lloyd's	150,939	138,708
Managing agency and related activities	1,233	958
Investment in associate	1,213	5,242
	153,385	144,908

An analysis of the balance on the technical account of the group (syndicate 2623 only) is as follows:

	Year ended 31 December 2003				
	Specialty Lines £'000	Property £'000	Marine £'000	Reinsurance £'000	Total £'000
Gross premiums written	155,321	93,009	41,865	43,420	333,615
Net premiums written	119,053	77,731	33,477	34,422	264,683
Net earned premiums	54,096	37,879	12,606	27,225	131,806
Investment income	5,044	2,035	728	933	8,740
Net claims	(37,465)	(18,144)	(5,328)	(16,707)	(77,644)
Expenses	(18,642)	(11,678)	(5,100)	(7,615)	(43,035)
Balance on technical account	3,033	10,092	2,906	3,836	19,867
Claims ratio	69%	48%	42%	61%	59%
Expense ratio	29%	31%	32%	31%	30%
Combined ratio	98%	79%	74%	92%	89%

6. Net operating expenses

	Year ended 31 December 2003 £'000	Six months ended 31 December 2002 £'000
Acquisition costs	63,985	–
Change in deferred acquisition costs	(32,203)	–
Administrative expenses	11,253	–
	43,035	–

7. Investment return

a. The total actual investment return before taxation comprises:

	Year ended 31 December 2003 £'000	Six months ended 31 December 2002 £'000
Investment return on funds at Lloyd's and other corporate funds:		
Investment income	5,924	565
Unrealised gains/(losses) on investments	(406)	18
Realised gains/(losses) on investments	(292)	–
	5,226	583
Investment return on syndicate funds:		
Investment income	1,102	–
Unrealised gains/(losses) on investments	(276)	–
Realised gains/(losses) on investments	(64)	–
	762	–
Investment management expenses	(250)	–
Total investment return	5,738	583
Allocation to the technical account based on the longer term rate	(8,740)	–
Short term fluctuations in investment return retained in the non-technical account	(3,002)	–

b. Longer term investment return

The longer term return is based on a combination of historical experience and current expectations for each category of investments. The longer term return is calculated by applying the following yields to the weighted average of each category of assets.

	2003 %	2002 %
Debt securities and other fixed interest securities		
– Sterling	5	N/A
– Dollar	4	N/A

8. Other income

	Year ended 31 December 2003 £'000	Six months ended 31 December 2002 £'000
Profit commissions	7,979	759
Agency fees	1,908	1,440
Other income (including share of profit in associated companies)	1,358	988
	11,245	3,187

Included within profit commission recognised in this period is £6,256,000 payable to the directors and employees under the terms of the pre-IPO agreement.

9. Other charges

The operating profit is stated after charging:

	Year ended 31 December 2003 £'000	Six months ended 31 December 2002 £'000
Amortisation of goodwill	344	172
Auditors' remuneration		
– Company audit fee	64	30
– Group audit fee	61	58
– Tax service	38	36
– Non-audit service	189	–
Other operating leases (group/2623 share)	420	14
Exceptional item in respect of public listing	–	1,933

Included within the exceptional item in 2002, are fees of £764,000 paid to KPMG Audit plc in respect of services provided in connection with capital raising. Included in the administrative expenses of the syndicate are audit fees of £48,000.

10. Directors and employees

	Year ended 31 December 2003 £'000	Six months ended 31 December 2002 £'000
Payroll costs (all in payroll, including non-executive directors)		
Wages and salaries	9,381	3,507
Short-term incentive payments	5,500	1,510
Social security	1,774	339
Pension costs	1,216	922
	17,871	6,278
Recharged to syndicate 623	(6,992)	(4,394)
	10,879	1,884

Amounts relating to directors' emoluments, share options, short-term incentive scheme interests and pension entitlements are set out on pages 28 to 35 within the report on directors' remuneration and form part of these statements.

11. Employee information

The average number of persons employed by the group, including directors, was:

	Year ended 31 December 2003	Six months ended 31 December 2002
Underwriting	52	34
Administrative	70	40
	122	74

12. Taxation on ordinary activities

	Year ended 31 December 2003 £'000	Six months ended 31 December 2002 £'000
UK company tax		
Current tax on income for the year	1,369	–
Adjustments in respect of prior periods	(27)	14
Total current tax	1,342	14
Deferred tax (see note 21)		
Origination and reversal of timing differences	3,536	(244)
Share of tax of associated company	417	141
Tax on profit on ordinary activities	5,295	(89)

Factors affecting the current tax charge
The corporation tax charge differs from the standard rate of corporation tax due to the timing difference explained below:

Profit before tax	17,117	(1,163)
Current tax at 30% (2002: 30%)	5,135	(349)
Effects of:		
– Underwriting result	(2,110)	–
– Expenses not deductible for tax	83	195
– Accelerated capital allowances	(5)	(2)
– Profit commission timing difference	(1,317)	104
– Associated company share of profits	(417)	–
– Amortisation	–	52
Current tax on income for the year	1,369	–

13. Dividends paid and proposed

	Year ended 31 December 2003 £'000	Six months ended 31 December 2002 £'000
Interim dividend of 0.25p per share paid (2002: nil)	574	–
Final dividend of 0.5p per share (2002: nil)	1,148	–
Total dividend of 0.75p per share (2002: nil)	1,722	–

14. Earnings per ordinary share

	Year ended 31 December 2003	Six months ended 31 December 2002
Basic	5.2p	(1.7p)
Diluted	5.2p	(1.7p)

The calculation of basic earnings per share is based on earnings of £11,822,000, being the profit for the year, on 229.48 million shares, being the weighted average number of shares in issue during the period.

The diluted earnings per share is based on earnings of £11,822,000 and on 229.55 million ordinary shares.

15. Intangible fixed assets

	Goodwill £'000	Syndicate capacity purchased £'000	Total £'000
Cost			
1 January 2003	6,881	–	6,881
Additions for the year	–	1,141	1,141
31 December 2003	6,881	1,141	8,022
Amortisation			
1 January 2003	613	–	613
Charge for the year	344	–	344
31 December 2003	957	–	957
Net book value			
31 December 2003	**5,924**	**1,141**	**7,065**
31 December 2002	6,268	–	6,268

16. Investments

	2003 Market value £'000	2003 Cost £'000	2002 Market value £'000	2002 Cost £'000
Group				
Associated undertakings (a)	1,212	–	5,242	5,000
Debt securities and other fixed interest securities (b)	241,043	241,525	132,418	131,836
	242,255	241,525	137,660	136,836
Of which				
Listed	240,523	241,005	131,897	131,316
Unlisted	1,732	520	5,763	5,520
	242,255	241,525	137,660	136,836
Company				
Subsidiary undertakings	5,083	5,083	5,083	5,083
Debt securities and other fixed interest securities	131,700	132,213	132,397	131,816
	136,783	137,296	137,480	136,899
Of which				
Listed	131,200	131,713	131,897	131,316
Unlisted	5,583	5,583	5,583	5,583
	136,783	137,296	137,480	136,899
a. Associated undertakings:				
Brought forward value of subsidiary	5,242	5,000	4,911	5,000
Share of profit retained by associated undertakings	1,387	–	472	–
Tax on share of profits retained by associated undertakings	(417)	–	(141)	–
Netting off of brought forward creditor	(5,000)	(5,000)	–	–
	1,212	–	5,242	5,000

Beazley Finance Limited has been treated as an associated company as the directors of Beazley Group plc are represented on the board of Beazley Finance Limited and take a role in the day-to-day running of the company. They are therefore in a position to exert significant influence.

Beazley Furlonge Holdings Limited owns 5,000,000 ordinary shares in Beazley Finance Limited, the holding company of Beazley Dedicated Limited, a dedicated corporate member of syndicate 623. This shareholding represents 22.7% of the entire share capital of Beazley Finance Limited. Beazley Furlonge Holdings Limited has guaranteed a letter of credit of £2m to support underwriting of Beazley Dedicated Limited on syndicate 623. The proportion of profits receivable by the group is determined by agreement between Aon (the majority shareholder in Beazley Finance Limited) and the group, varies by year of account.

In 2003, the directors have reduced the carrying value of the investment in associate by £5m, through netting down the £5m uncalled share capital creditor. This liability would only have been called if the 2002 year of account for syndicate 623 was loss making. At this stage of the account this outcome is considered remote.

Beazley Dedicated Limited participates in syndicate 623 for all years of account up to 2002. Reflected in these accounts is the forecast for the 2002 year of account together with the results of Beazley Finance Limited to 31 December 2003.

b. Subsidiary undertakings – unlisted

	Country of incorporation and operation	Class of share	Proportion held	Nature of business
Beazley Furlonge Holdings Limited	England	Ordinary	100%	Intermediate holding company
Beazley Furlonge Limited	England	Ordinary	100%	Lloyd's underwriting agent
BFHH Limited	England	Ordinary	100%	Dormant from 30 June 1994
Beazley Investments Limited	England	Ordinary	100%	Investment company
Beazley Corporate Member Limited	England	Ordinary	100%	Underwriting at Lloyd's
Beazley Dedicated No. 2 Limited	England	Ordinary	100%	Underwriting at Lloyd's
Global Two Limited	England	Ordinary	100%	Underwriting at Lloyd's
Beazley Underwriting Limited	England	Ordinary	100%	Underwriting at Lloyd's
Beazley Management Limited	England	Ordinary	100%	Intermediate management company
Beazley Staff Underwriting Limited	England	Ordinary	100%	Underwriting at Lloyd's

During 2001, the group incorporated two corporate members, allocating to them capacity for participation in syndicate 623 for the 2002 year of account.

	Capacity held £	% of total capacity
Global Two Limited	12,000,000	3.7
Santam Corporate Limited	17,500,000	5.4

Funds at Lloyd's to support these companies' underwriting are provided by investing companies who have option agreements in place with the group. These agreements give the investors the opportunity to purchase the entire share capital of the corporate member and the group the option to require the purchase of the entire share capital.

Santam Limited exercised its option to purchase the share capital of Santam Corporate Limited on 3 September 2002 and has received Lloyd's approval for this transaction.

The group's investment in Global Two Limited has been included in the consolidated balance sheet at the lower of cost and net realisable value.

The assets, liabilities and results of Global Two Limited have not be consolidated:

– Due to the existence of the group's option and quota share agreement with Gerling Global General and Reinsurance Limited.
– Because the subsidiary has not previously been consolidated in the group's accounts.

The assets, liabilities and results of Santam Corporate Limited have not been consolidated:

– Because Santam Limited exercised their option to purchase the share capital of Santam Limited on 3 September 2002.
– Because the subsidiary has not previously been consolidated in the group's accounts.

c. Other fixed asset investments

Funds at Lloyd's
Funds have been lodged with Lloyd's of London to support syndicate 2623 via its corporate member Beazley Underwriting Limited as follows:

	2003 £'000	2002 £'000
Debt securities and other fixed interest securities	131,200	131,897
Letter of credit*	19,500	–
	150,700	131,897

*Of the £19.5m letter of credit £17.5m has been provided to support the underwriting of syndicate 2623 and £2m to support the underwriting of Beazley Staff Underwriting Limited.

Collateralised guarantee at Lloyds TSB plc
An amount of £500,000 (31 December 2002: £500,000) has been deposited with Lloyds TSB bank as collateral for that bank's guarantee of a subsidiary's solvency position with Lloyd's of London.

ENAM Management Company Inc.
Beazley Furlonge Holdings owns one share in a non-profit making company incorporated in the USA known as ENAM Management Company Inc. The company is owned 75% by Lloyd's managing agents and 25% by R K Carvill (International Holdings) Ltd. ENAM Management Company Inc. is not involved in any form of risk carrying and is a vehicle designed to bring together markets which may be interested in Specialty Programmes. It has the objective of bringing additional business into Lloyd's by reducing the acquisition costs.

17. Debtors arising out of direct insurance operations and reinsurance operations

	2003 £'000	2002 £'000
Group		
Debtors arising out of direct insurance operations	58,780	–
Debtors arising out of reinsurance operations	19,851	–
	78,631	–

All insurance debtors relate to business transacted with brokers and intemediaries.

18. Other debtors

	2003		2002	
	Group £'000	Company £'000	Group £'000	Company £'000
Amounts due from group companies	–	7,243	–	1,289
Amounts due from associated undertakings	313	8	390	1
Other debtors	1,308	787	849	349
	1,621	8,038	1,239	1,639

Included within other debtors is a debtor greater than one year of £413,000 (2002: £575,000) in respect to loans to employees.

19. Creditors: amounts falling due within one year

	2003		2002	
	Group £'000	Company £'000	Group £'000	Company £'000
Called up share capital not paid	–	–	5,000	–
Amount due to associated undertakings	40	3	–	992
Corporation tax payable	444	–	144	–
Proposed dividend (note 13)	1,148	1,148	–	–
Other creditors and social security	1,932	992	378	211
	3,564	2,143	5,522	1,203

20. Technical provisions

	Claims outstanding £'000	Unearned premium reserve £'000	Total £'000
31 December 2003			
Gross	93,436	155,765	249,201
Reinsurance	(25,775)	(30,968)	(56,743)
Net	67,661	124,797	192,458
31 December 2002			
Gross	–	–	–
Reinsurance	–	–	–
Net	–	–	–
Movement			
Gross	93,436	155,765	249,201
Reinsurance	(25,775)	(30,968)	(56,743)
Net	67,661	124,797	192,458

21. Deferred tax

	2003 £'000	2002 £'000
Group		
Opening (asset)/liability for deferred tax	(30)	(276)
Additions during the year	3,536	246
Closing (asset)/liability for deferred tax	3,506	(30)

The deferred tax liability is attributable to timing differences arising on the following:

	Underwriting result £'000	Other timing differences £'000	Total £'000
At 1 January 2003	(12)	(18)	(30)
Deferred tax charge for the year	3,531	5	3,536
At 31 December 2003	3,519	(13)	3,506

22. Share capital

	2003		2002	
	Authorised £'000	Allotted and called-up £'000	Authorised £'000	Allotted and called-up £'000
300,000,000 ordinary shares of 5p each	15,000	11,474	15,000	11,474

23. Reconciliation of movement in shareholders' funds

	Issued share capital 2003 £'000	Share premium reserve 2003 £'000	Merger reserve 2003 £'000	Profit and loss account 2003 £'000	Total shareholders' funds 2003 £'000	Total shareholders' funds 2002 £'000
Group						
Balance brought forward	11,474	132,377	1,675	(618)	144,908	2,635
Retained profit/(loss) for the period	–	–	–	10,100	10,100	(1,074)
Foreign exchange profit/(loss)	–	–	–	(1,623)	(1,623)	–
Issue of shares	–	–	–	–	–	10,969
Share premium on issue of shares	–	–	–	–	–	139,030
Capitalised listing costs	–	–	–	–	–	(6,652)
Shareholders' funds at end of period	11,474	132,377	1,675	7,859	153,385	144,908
Company						
Balance brought forward	11,474	132,377	–	(1,057)	142,794	648
Retained profit/(loss) for the period	–	–	–	1,291	1,291	(1,201)
Issue of shares	–	–	–	–	–	10,969
Share premium on issue of shares	–	–	–	–	–	139,030
Capitalised listing costs	–	–	–	–	–	(6,652)
Shareholders' funds at end of period	11,474	132,377	–	234	144,085	142,794

As permitted by section 230 of the Companies Act 1985, no profit and loss account of the parent company is presented. The profit after taxation for the company for the year was £3,012,800 (2002: loss after tax £1,201,000).

24. Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 31 December 2003 £'000	Six months ended 31 December 2002 £'000
Operating profit before tax based on longer term rate of investment return	20,119	(1,704)
Amortisation of goodwill	344	172
Short-term fluctuations in investment return	(3,002)	–
Share in profit of associate	(1,387)	–
(Increase) in debtors	(116,610)	(1,155)
(Increase) in reinsurers share of technical provision	(56,743)	–
Increase in creditors	35,549	1,083
Increase in technical provisions	249,201	–
Effect of foreign exchange rate changes	(1,623)	–
	125,848	(1,604)

25. Analysis of net funds/(debt)

	2002 £'000	Cash flow £'000	2003 £'000
Cash at bank and in hand	4,990	14,417	19,407
Debt secrities and fixed interest investments	132,418	108,625	241,043
	137,408	123,042	260,450

26. Pension commitments

Beazley Furlonge Limited operates a funded pension scheme (the Beazley Furlonge Limited Pension Scheme) providing benefits based on final pensionable pay, with contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary using the projected unit method and the most recent valuation was at 31 December 2003. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. The investment return used was 6.3% (31 December 2002: 5.6%), the rate of earnings increase used was 4.3% (31 December 2002: 4%) and the rate of pension increase used was 2.3% (31 December 2002: 2%).

The most recent actuarial valuation showed that the market value of the scheme's assets was £5,311,000 at 31 December 2003 (31 December 2002: £3,829,000) and that the market value of those assets represented 71% (31 December 2002: 61%) of the benefits that had accrued to members on an ongoing basis, after allowing for expected future increases in earnings. The contributions of the company have been estimated at 21% (31 December 2002: 21%) of earnings. The pension charge for the period was £734,000 (31 December 2002: £544,000). Each year substantially all of the pension costs are recharged to syndicate 623 and 2623.

Whilst the company continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 "Accounting for Pension costs", under Financial Reporting Standard 17 "Retirement benefits" the following transitional disclosures are required.

The valuation of the scheme was calculated by the actuary on a Financial Reporting Standard 17 "Retirement benefits", basis as at 31 December 2003, 31 December 2002 and 30 June 2002.

The major assumptions used in these valuations were:

	31 December 2003	31 December 2002	30 June 2002
Rate of increase in salaries	4.3%	4.0%	4.5%
Rate of increase in pensions	2.3%	2.0%	2.5%
Discount rate applied to scheme liabilities	5.8%	5.5%	6.0%
Inflation assumption	2.3%	2.0%	2.5%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short-term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long term rate of return 2003	Value at 31 December 2003 £'000	Long term rate of return 2002	Value at 31 December 2002 £'000	Long term rate of return 2002	Value at 30 June 2002 £'000
Equities	6.8%	4,113	6.5%	2,572	7.3%	3,133
Bonds	4.8%	1,123	4.5%	705	5.3%	563
Cash	2.8%	75	2.5%	552	0.0%	–
Fair value of assets		5,311		3,829		3,696
Present value of scheme's liabilities		(7,430)		(6,240)		(5,309)
Gross pension liability		(2,119)		(2,411)		(1,613)
Deferred tax asset arising on pension liability		–		–		484
Net pension liability		(2,119)		(2,411)		(1,129)

The amount of this net pension liability would have a consequential effect on the group's reserves.

Movement in deficit during the year:

	Value at 31 December 2003 £'000	Value at 31 December 2002 £'000	Value at 30 June 2002 £'000
Deficit in the scheme at the beginning of year	(2,411)	(1,613)	(621)
Current service cost	(753)	(287)	(710)
Contributions paid	734	544	565
Past service cost	–	–	–
Other finance income/(cost)	(110)	(21)	19
Actuarial gain/(loss)	421	(1,034)	(866)
Deficit in the scheme at end of year	(2,119)	(2,411)	(1,613)
Analysis of amounts included in other finance income/(costs):			
Expected return on pension scheme assets	233	140	277
Interest on pension scheme liabilities	(343)	(161)	(258)
	(110)	(21)	19

Analysis of amount which would have been recognised in statement of total recognised gains and losses:

	Value at 31 December 2003 £'000	Value at 31 December 2002 £'000	Value at 30 June 2002 £'000
Actual return less expected return on scheme assets	514	(551)	(890)
Experience gains arising on scheme liabilities	(93)	(475)	24
Changes in assumptions underlying the present value of scheme liabilities	–	(8)	–
Actuarial loss recognised in statement of total recognised gains and losses	421	(1,034)	(866)

From 1 April 2002 to 10 August 2002, no benefits accrued under the scheme. During this period, Beazley Furlonge Limited participated in the Lloyd's Superannuation Fund (LSF) and employees accrued benefits under the LSF. Beazley Furlonge Limited terminated its participation in the LSF on 10 August 2002. Beazley Furlonge Limited has confirmed to those of its employees who participated in the LSF that they will be granted continuous pensionable service in the scheme in respect of the period of participation in the LSF. The liability in respect of this period of service is included in the FRS 17 valuation at 31 December 2003. The market value of the estimated transfer value at that date was included in the market value of the scheme's assets in the FRS 17 valuation. The cost to the scheme of providing continuous service using the actuarial valuation basis has been estimated at £772,000 as at 1 January 2004. The proposed transfer payment from the LSF has not yet been confirmed but the trustees of the LSF have indicated that it could be in the region of £400,000. The directors of Beazley Furlonge Limited are in discussion with the trustees of the LSF to determine the amount required to be transferred. In anticipation of any potential shortfall in the expected transfer amount requested from the trustees of the LSF, Beazley Furlonge Limited has agreed with the trustees of the scheme that the scheme should be properly funded. Once the transfer value from LSF has been agreed Beazley Furlonge Limited will agree with the trustees of the scheme a contribution schedule over the next three years to address the deficit. The impact of the shortfall on the FRS 17 valuation would be to reduce the market value of the scheme's assets at 31 December 2003 by up to £496,000.

27. Contingent liabilities and financial commitments

At 31 December 2003 Beazley Group plc has given a fixed and floating charge over its assets to Lloyds TSB plc in respect of the loans taken out to finance the purchase of the shares of Beazley Furlonge Holdings Limited and has agreed to guarantee the obligation of Beazley Furlonge Limited in respect of its obligation to Lloyds TSB plc.

The group has guaranteed the £2m letter of credit issued to Beazley Dedicated Limited which is used as funds at Lloyd's for underwriting.

A subsidiary company entered into a leasehold tenancy agreement on 11 January 2002 in respect of 1 Aldgate, replacing an old lease on the premises which expired in March 2002. In February 2003, the company entered into a new lease to take an additional floor on the premises, the terms of which are concurrent with the existing lease. As at 31 December 2003 the company was committed to make rental payments amounting in the aggregate to £2,717,145 in respect of the remaining 3 year period of tenancy to the first break clause (31 December 2002: £2,632,647).

Annual operating lease commitments under non-cancellable operating leases are as follows:

	2003 Land and buildings £'000	**Other £'000**	**2002 Land and buildings £'000**	**Other £'000**
Group				
Operating leases which expire:				
– Within one year	–	37	–	73
– In the second to fifth years inclusive	906	90	653	50
– Over five years	–	–	–	–
	906	127	653	123

The company has no operating lease commitments.

28. Related party disclosure

Certain of the directors of the company and its subsidiaries are or have been names on the Lloyd's syndicates which are managed by the group. The details of these participations are disclosed in the directors' remuneration report on pages 28 to 35.

Notice of annual general meeting

Notice is hereby given that the fourth annual general meeting of Beazley Group plc will be held on Monday 21 June 2004 at 4.00 p.m. at the offices of Beazley Group plc, One Aldgate, London EC3N 1AA:

Ordinary business

1. To approve the directors' remuneration report for the year ended 31 December 2003.
2. To receive and, if approved, adopt the Financial Statements of the company for the year ended 31 December 2003 and the Reports of the Directors and Auditors thereon.
3. To re-elect J G W Agnew, non-executive chairman and a member of the remuneration, nomination and investment committees, as a director of the company.
4. To re-elect J D Fishburn, non-executive director and a member of the audit, remuneration and nomination committees, as a director of the company.
5. To re-elect A F Beazley, group chief executive officer, as a director of the company.
6. To re-elect J D Sargent (Aged 74, non-executive director and a member of the investment, audit, remuneration and nomination committees) as a director of the company. By virtue of Mr Sargent's age, special notice has been given pursuant to sections 379 and 293(5) of the Companies Act 1985 of the intention to propose his re-election as a director of the company.
7. To elect D A Horton (group finance director and a member of the investment committee) as a director of the company.
8. To elect A D Pomfret (non-executive director and a member of the audit, remuneration and nomination committees) as a director of the company.
9. To re-appoint KPMG Audit Plc as the auditors of the company.
10. To authorise the directors to determine the auditors' remuneration.

Special business

To consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

11. That the directors be generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 (the "Act") to exercise all of the powers of the company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £3,525,752 provided that this authority shall expire (unless previously renewed, varied or revoked by the company in general meeting) 15 months after the date of the passing of this resolution, or, if earlier, at the conclusion of the next annual general meeting of the company after the date of the passing of this resolution, save that the company may before expiry of this authority make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

To consider and, if thought fit, to pass the following resolutions which will be proposed as Special Resolutions:

12. That, subject to the passing of resolution 11, the directors be generally empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act, as amended by The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003, pursuant to the authority conferred by resolution 11 as if sub-section (1) of section 89 of the Act did not apply to any such allotment, provided that the power conferred by this resolution:

a. shall (unless previously renewed, varied or revoked by the company in general meeting) expire 15 months after the date of the passing of this resolution or, if earlier, at the conclusion of the next annual general meeting of the company after the date of the passing of this resolution, save that the company may before expiry of this power make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot securities in pursuance of such an offer or agreement as if the power hereby had not expired; and

b. is limited to:

    (i) allotments of equity securities in connection with a rights issue or otherwise in favour of holders of ordinary shares and in favour of all holders of any other class of equity security in accordance with the rights attached to such class where the equity securities offered to such persons are proportionate (as nearly as may be) to the respective existing holdings of equity securities held by them or are otherwise allotted in accordance with the rights attaching to such equity securities provided that the directors may make such arrangements as they consider necessary or expedient to deal with equity securities representing fractional entitlements or legal, practical or regulatory problems in any territory; and

    (ii) allotment (otherwise than pursuant to sub paragraph (i) above) of equity securities for cash up to an aggregate nominal amount of £570,000 (representing 4.97% of the issued ordinary share capital).

13. That the company be generally and unconditionally authorised to make one or more market purchases (within the meaning of section 163(3) of the Companies Act 1985) on the London Stock Exchange of ordinary shares of 5p in the capital of the company (ordinary shares) provided that:

a. the maximum aggregate number of ordinary shares authorised to be purchased is 11,400,000 (representing 4.97% of the issued ordinary share capital);

b. the minimum price which may be paid for an ordinary share is 5p;

c. the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased, exclusive of expenses;

d. the authority conferred by this resolution shall, unless renewed, expire on the date falling 15 months after the date of the passing of this resolution, or, if earlier, at the conclusion of the next annual general meeting of the company; and

e. the company may make a contract to purchase ordinary shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of ordinary shares in pursuance of any such contract.

By order of the board

J P Gorman FCA
Company Secretary
Registered Office:
One Aldgate
London EC3N 1AA

22 March 2004

Notes

1. Shareholders entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote in their place. A proxy need not be a shareholder of the company. A form of proxy is enclosed with this document, and members who wish to use it should see that it is deposited, duly completed, with the company's registrars not less than 48 hours before the time fixed for the meeting. Completing and posting of the form of proxy will not preclude shareholders from attending and voting in person at the annual general meeting should they wish to do so.
2. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the company specifies that only those shareholders registered in the register of members of the company as at 6.00 pm on 19 June 2004 shall be entitled to attend or vote at the aforesaid meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after 6.00 pm on 19 June 2004 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
3. Copies of the executive directors' service contracts, the terms of appointment of the non-executive directors and the register of directors' interests in the share capital of the company, are available for inspection at the registered office of the company during usual business hours and will be available on the day of the annual general meeting.

Contacts

Registered office
One Aldgate
London EC3N 1AA

Company Number
4082477

Auditors
KPMG Audit Plc
8 Salisbury Square
London EC4Y 8BB

Legal advisors
Norton Rose
Kempson House
Camomile Street
London EC3A 7AN

Financial advisors
Lexicon Partners Limited
One Paternoster Square
London EC4M 7DX

Stockbrokers
Numis Securities Limited
Cheapside House
138 Cheapside
London EC2V 6LH

Principal bankers
Lloyds TSB Bank plc
113-116 Leadenhall Street
London EC3A 4AX

Registrars
Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DA

Financial calendar

Annual General Meeting

21 June 2004

Preliminary interim announcement

8 September 2004

Interim dividend announcement

8 September 2004

Design, copywriting and production **Drive Associates** Photography **Michael Harvey**

Beazley Group plc

One Aldgate
London
EC3N 1AA

Tel: +44 (0)20 7667 0623
Fax: +44 (0)20 7667 0624
www.beazley.com