

Beazley Group plc
Annual Report 2004

In all that we do, we go further

We are a leading specialist insurance business providing a wide range of services worldwide to a substantial and diversified client base.

Our success has been founded on our commitment to continually find ways in which we can go further for all our clients. We challenge traditional attitudes and constraints within our markets, constantly developing our products and services to deliver truly innovative solutions.

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£33.4m

Pre-tax profit

9.3p

Earnings per share

1.0p

Dividend per share

77p

Net assets per share

Group and managed syndicate highlights

Managed syndicate highlights	2004	2003	2002
Capacity (£m)	741	660	403
Beazley Group plc share	54%	50%	0%
Capacity utilisation	94%	98%	90%
Gross premiums written (£m)	751	708	438
Claims ratio	60%	49%	60%
Expense ratio	30%	33%	34%
Combined ratio	90%	82%	94%
Rate increase achieved	1%	11%	33%
Headcount	182	135	84
Underwriting personnel	52	38	27
Investments			
Combined syndicate invested funds (£m)	691	443	247
Syndicate 2623 invested funds (£m)	376	109	0
Average investment returns	2.2%	1.9%	3.2%

Chairman's statement

I am delighted to report an excellent set of results for a year during which we continued our strategy of growing the business through building on our underwriting expertise.



Jonathan Agnew
Chairman

I am delighted to report an excellent set of results for a year during which we continued our strategy of growing the business through building on our underwriting expertise.

The successful rights issue raising net proceeds of £105m has put us in a strong financial position to pursue this strategy. We have acquired for the group £125m of additional Lloyd's syndicate underwriting capacity for a cost of £1m and used some of the proceeds of the rights issue to capitalise this capacity for 2005. We are in the process of acquiring an insurance company in the US with licences to operate in fifty states enabling us to grow our US small business portfolio in our existing lines of business.

Whilst we have done this, the underwriting conditions have remained good. This has manifested itself in an increase in the group's profit before tax for the year to £33.4m despite the group incurring a net loss of £15m from the four hurricanes which impacted Florida in the third quarter of the year. Net assets per share have increased to 77p and our earnings per share were 9.3p from which the board is proposing a final dividend of 0.7p. This together with the interim dividend of 0.3p per share brings

the total dividend for 2004 to 1.0p in line with our commitment at the time of the rights issue. The final dividend of 0.7p will be paid on 24 June 2005 to shareholders on the register on 27 May 2005.

We expect that the 2005 full year dividend will increase significantly to a minimum of 4p per share. Our aim is to pay a reasonable level of dividend throughout the underwriting cycle which will be increased when conditions allow.

Our managed syndicate results for 2004 show a profit of £37m despite the impact of the hurricanes on the managed syndicates of £43m. Premiums written in 2004 were £751m (2003: £708m). Net premiums written were up 13% to £617m, the claims ratio was 60% and the combined ratio was 90% (the impact of the hurricanes on the claims ratio and combined ratio was 8%).

We have achieved a 13.3% return on the 2002 year of account and our estimate return for the 2003 year of account has improved from an initial estimate of between 8% and 15% to a current estimate of between 10% and 15%. We expect a return on stamp capacity of between 3% and 10% on our 2004

£125m

Extra capacity acquired
by the group

90%

Combined ratio –
managed syndicates

1.0p

Total dividend
for 2004

year of account, after a reduction in the return of 6% resulting from the hurricanes.

We have continued to see increased rates in the Specialty Lines business with generally stable rating environments in Marine, Property and Reinsurance, with the exception of commercial property insurance where we saw some easing of rates. When we announced our interim results we were seeing pressure on rates in offshore energy insurance, large commercial property insurance and catastrophe reinsurance. The impact of the four hurricanes has had a positive effect on steadying rates in the energy and catastrophe reinsurance sectors but non-catastrophe exposed large commercial property has continued to ease.

Within the Property Group we have added an engineering team which is consistent with our strategy of adding specialist areas within our four business areas. The members of the engineering team have many years experience within their markets and are market leaders. We have also added a UK cargo team to our Marine business. The environment in which our employees operate is of paramount importance to us and we have been able to retain and attract people of excellent calibre. Their skills, energy and

enthusiasm is key to the delivery of everything which we have achieved in 2004.

During 2004 we have been able to add various building blocks to maintain and enhance the success of the company. In the absence of unforeseen circumstances we expect that 2005 will be another excellent year for the group.

Jonathan Agnew
Chairman

Search Criteria

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Initiated By:

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Franchise:

Individual:

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Quote Status:

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Constant development

We began trading in 1986, since then we have never stood still. We are always looking to develop new areas of business and better ways of working.

Through changing market situations we are proud of the fact that we have continued to grow, develop and have always returned a profit to our capital providers. We constantly seek to go further.

A blurred photograph of an office hallway. In the foreground, the lower legs and feet of several people walking are visible, creating a sense of motion. The background shows a hallway with glass-walled offices on the left and a carpeted floor. The lighting is bright, typical of an office environment.

Our people

Our people are our business. We have created an organisation of empowered specialists.

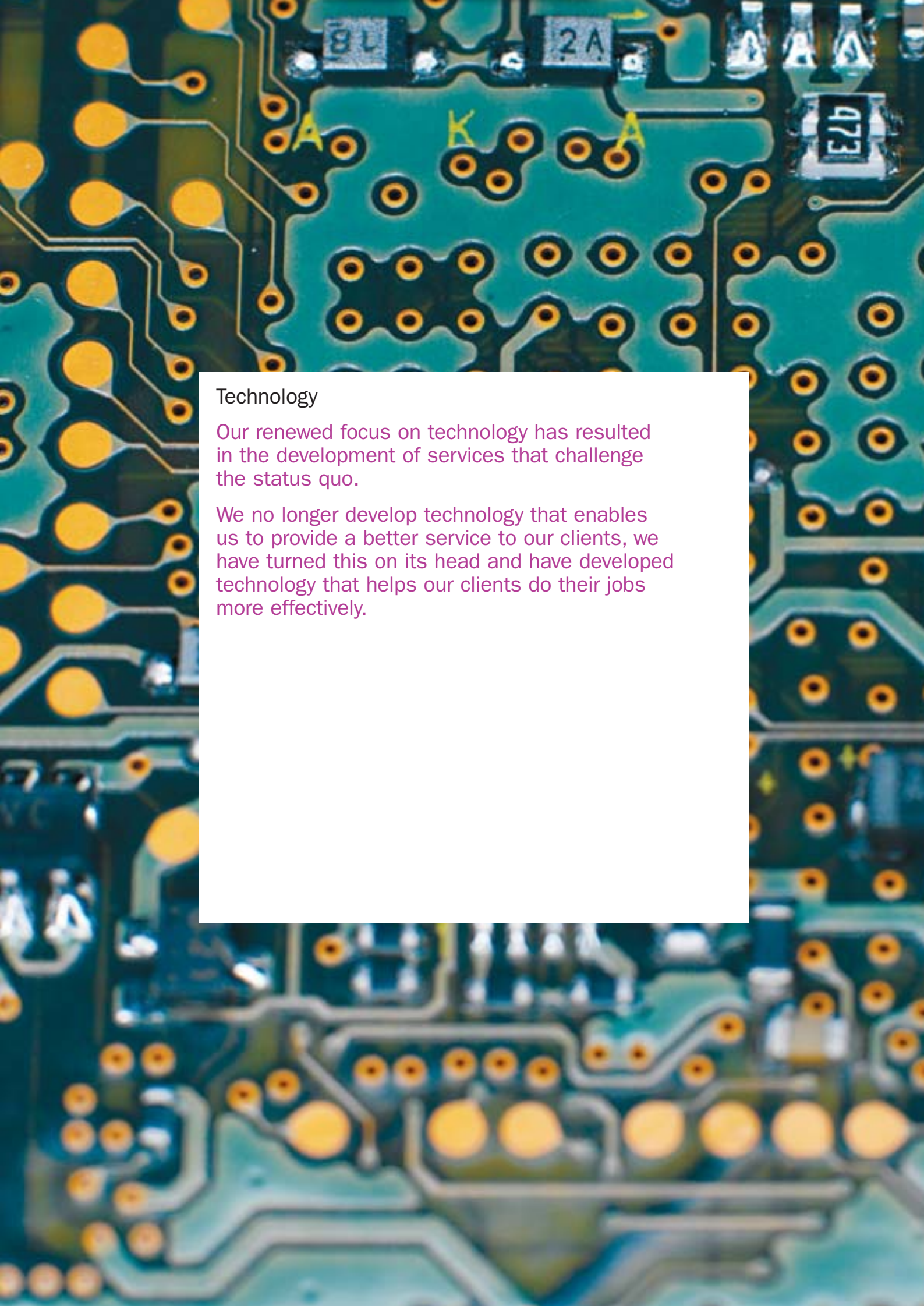
Our underwriting teams have years of experience in their specialist fields, they are empowered and encouraged to build and operate their lines of business. Our people have the authority and the ability to make decisions on the spot.



US

We have implemented the first elements of our US strategy. We have set up our own managing general agent based in Hartford, Connecticut with an office in Ponte Vedra, Florida and we are acquiring a US insurance company.

The key aims of this initiative are to attract business that does not currently come to Lloyd's and within our Specialty Lines business, increase our share of the middle market and small business.



Technology

Our renewed focus on technology has resulted in the development of services that challenge the status quo.

We no longer develop technology that enables us to provide a better service to our clients, we have turned this on its head and have developed technology that helps our clients do their jobs more effectively.

Chief executive's review

Our whole operation, from the board down, is built on an unparalleled depth of insurance experience.

Our growth has been built wholly on our areas of expertise. Core to our strategy is bringing in new people who have innovative and challenging ways of making the way we approach business better.



Andrew Beazley
Chief Executive

Highlights

- Growth in earned premiums and profit before tax as 2004 is the second year of activity for syndicate 2623.
- Profit before tax for the group increased to £33.4m (2003: £17.1m).
- Total managed capacity for 2005 is £742m (2004: £741m); group's share of total capacity increased to 70% (£522m).
- Successful rights issue raising £105m net of expenses, subordinated debt issue raising \$18m and increase in debt facility to £70m.
- Acquisition of US insurance company.
- AM Best rating for syndicate 2623 reaffirmed as A (excellent).
- Engineering underwriting team joined the Property Group.
- Renewed focus on technology.

Market overview

Rating environment

As predicted, after a number of years of substantial rate increases and a relatively benign loss climate, 2004 witnessed the easing of premiums in certain sectors. However reinsurance markets have remained firm and largely resisted the temptation to reduce pricing in order to gain market share, maintaining discipline in the primary market. Many of the older and larger companies are still plagued by reserve deficiencies which have to be funded out of current operating results. Whilst this in itself will not influence market pricing, when combined with a disciplined reinsurance market and a historically low interest rate environment, expectation is for a reasonably stable market during 2005.

Hurricanes

Four hurricanes in the third quarter of 2004 amounting to an estimated insured loss of up to \$30bn are a reminder of nature's power and predictability. The losses were spread amongst many insurers and a material amount borne by the Florida state funded vehicles. Although a substantial loss in total, it is a testament to the financial health of the market that they were met without a major dislocation in pricing.

The Asian tsunami, a great tragedy in terms of loss of life, gave rise to an insured loss that was within the group's planned claims ratios.

£741m

2004 managed capacity

£397m

Group's share of 2004 capacity

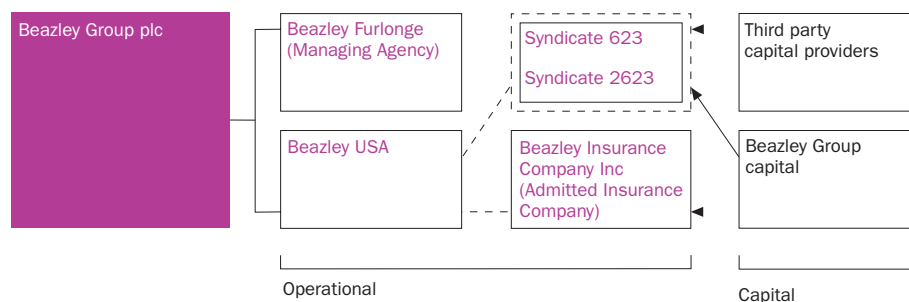
£742m

2005 managed capacity

£522m

Group's share of 2005 capacity

Beazley Group operating structure



Distribution

The group operates in the brokered market with all business traded through insurance or reinsurance brokers. An investigation by the New York attorney general and others has resulted in allegations of improper practice being made against certain broking firms and a call for reforms in the way brokers operate. Recent undertakings by the major brokers to make their charges more transparent is a welcome move and should result in the market becoming more efficient.

US acquisition

In October 2004, the group entered into an agreement to purchase Omaha Property and Casualty Insurance Company (OPAC) from the Mutual of Omaha. OPAC is a licensed carrier in fifty states. Full indemnities have been obtained from the vendor for all past liabilities. In addition an agreement has been entered into for the administration by the vendor of the past portfolio.

In essence, the group will purchase the licences. The group has set up its own underwriting company based in Hartford, Connecticut, with an office in Ponte Vedra, Florida and hired key underwriting staff who will underwrite on behalf of the group's Lloyd's syndicate and the new insurance company. The key aims of this initiative are to attract business within our Specialty Lines sector that does not currently come to Lloyd's, and to

increase our share of the middle market and small customers. We already trade some of this business and see it as less volatile on both rates and loss ratios compared to the equivalent large risk business.

So where does this leave us for 2005? Our Lloyd's stamp capacity is £742m (2004: £741m) – within this there are reductions across some lines of business compensated by growth from the recently recruited engineering team and our US underwriting company.

On the investment side we implemented our strategy of diversifying some of our investments into alternative assets in 2004 with the aim of getting incremental returns with little extra risk undertaken. The investment balance has grown considerably over 2004 and our aim is to maximise the returns on this portfolio within strictly defined conservative risk criteria.

In the regulatory environment in 2004 the FSA issued their guidelines on individual capital assessment (ICA). This requires all insurance companies to assess all the risks within their businesses and allocate capital to those risks. We have prepared our initial assessment and are in the process of discussing this with Lloyd's and the FSA. At this stage we do not expect the ICA calculation to have a material impact on the group.

Group overview

Capacity at Lloyd's has reduced to £13.7bn in total for 2005 and we have seen a reduction in capital provided by third party capital providers. The group took advantage of this in the Lloyd's auction process acquiring £109m of capacity from our third party capital syndicate 623 for a reasonable price of £1m; a further £16m was not taken up by the capital providers of syndicate 623 and taken up by the group. This will allow the group to grow with modest risk by writing a larger proportion of the renewal portfolio which is business we already know.

Our goals and objectives

What makes Beazley different?

Our whole operation, from the board down, is built on an unparalleled depth of insurance experience. Our growth has been built wholly on our areas of expertise. Core to our strategy is bringing in new people who have innovative and challenging ways of making the way we approach business better.

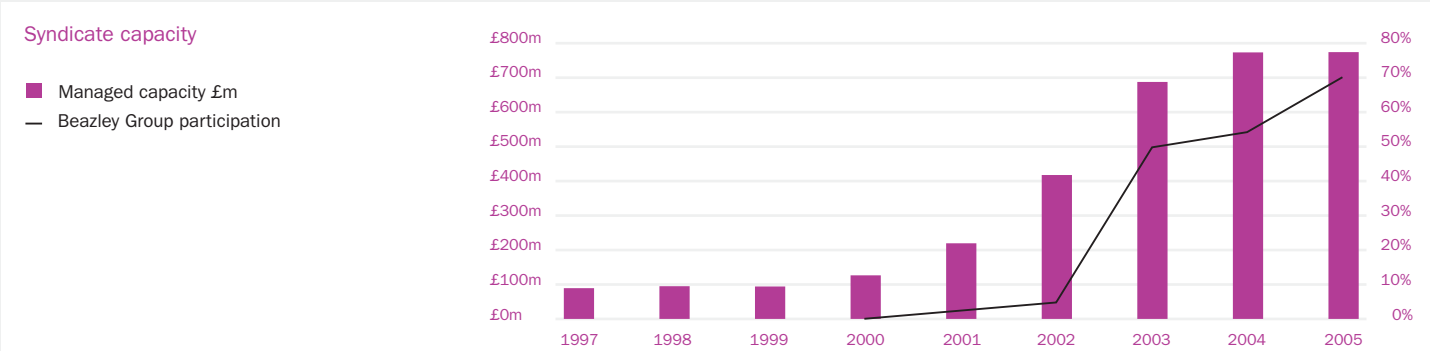
Specialist approach

We have achieved the following within our four business divisions:

- Specialty Lines – our main focus has been on the claims process. We have added to the claims team during the year by recruiting high grade experts. The aim is to restructure our process of claims handling so as to bring

Chief executive’s review continued

Our aim as a group is to access sources of business from as many suppliers as possible with the proviso that we want to ensure that we have sustainable good relationships with our brokers.



greater efficiency in speed of resolution and lower ultimate costs.

- Property Group – we acquired a well respected engineering team who are writing engineering and construction business mainly in the UK, Europe and the Middle East. We also set up an office in Florida to write high value homeowners business.
- Reinsurance – we continue to maintain our position as a lead catastrophe reinsurance and risk excess division and have added expertise particularly in the European markets.
- Marine – we have built our position within the cargo and energy markets following our recruitment in 2003. We have also added a UK cargo underwriter to our cargo team.

Flow of business

Our aim as a group is to access sources of business from as many suppliers as possible with the proviso that we want to ensure that we have sustainable good relationships with our brokers. Our expansion into the US will increase our access to the large regional brokers.

Experienced management and underwriting team

Our experienced and well-regarded management team remains in place. We have successfully recruited a new chief information officer (CIO), Dominic Shine, and a new head of ceded reinsurance, Christian Schirmer. Dominic has

come from the fund management industry whilst Christian has joined us from McKinsey where he was a consultant within their insurance arm.

Our people

Our ongoing aim is to provide an environment in which our staff can thrive. This means openness and clarity around accountabilities and responsibilities and a clear decision making process.

We have continued to recruit high calibre staff both in the UK and in the US. The recruitment of the highly experienced and highly regarded engineering team of four people in September 2004 adds both breadth and depth to our property portfolio. In the US we have recruited experienced personnel in all areas of business and support functions.

In line with our desire to attract the best we have appointed a head of talent management. The role encompasses sourcing our needs, investing in existing people and designing the career structures to allow performance.

Claims

The quality of the claims process is extremely important to us as it is fundamental to the relationship we have with our clients. During the year we have been building our claims management team bringing in extra skills and

resources to compliment our existing highly experienced staff.

Risk management

We have added to our risk management processes in 2004 a detailed and comprehensive risk matrix outlining all risks that the business is running. We monitor that controls are undertaken within the right timescales and these are reported to the appropriate executive committee and ultimately the audit committee. Our risk based internal audit process targets the higher risk areas for regular review.

This work is integrated into our individual capital assessment mentioned earlier where we assign capital amounts to the various risk types.

Insurance risk is our biggest risk – we continue to run with a benchmark tolerance of 15% of capacity for a 1 in 250 year US catastrophe on a net basis. Our risk models aggregate risks and determine the likely impact of various catastrophes.

To manage our underwriting, we assign maximum gross and net line sizes by underwriter by type of 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

Headcount continues to grow as we recruit high calibre staff

Number of employees in our US business

Standard and Poor's improved credit rating for Lloyd's

AM Best rating for syndicates 623 and 2623

Managed syndicates' results on an annual accounted basis

	2004	2003	2002	2001
Gross premiums written (£m)	751	708	438	355
Net premiums written (£m)	617	544	289	269
Net premiums earned (£m)	587	401	292	179
Net claims incurred (£m)	(350)	(197)	(174)	(134)
Net operating expenses (£m)	(200)	(165)	(102)	(71)
Profit/(loss) for the period (£m)	37	47	22	(17)
Claims ratio	60%	49%	60%	75%
Expense ratio	30%	33%	34%	33%
Combined ratio	90%	82%	94%	108%

exceeded if appropriately authorised. In addition to the tight underwriting controls, we employ peer review across a selection of our underwriting decisions. This review is intended to challenge underwriting decisions and ensure our decisions are robust.

A rigorous process is adopted to review the adequacy of our reserves and we continue with our detailed quarterly peer review. Through this process each underwriting team and the syndicate actuary independently proposes movements if required from the previous quarter's reserves. A meeting of the underwriting division team leader, the chief executive or director of risk management, the finance director and the syndicate actuary review the various inputs and conclude on any reserve movements required. Annually the syndicate actuary's analyses are reviewed by an external actuary.

Outsourcing

We continue with our commitment to outsourcing of non-core business activities. These include data entry, syndicate bookkeeping, credit control and asset management. Due to our increased size and the importance we place on our staff we have decided to insource our human resources function which now reports to the head of talent management.

All outsourced activities are monitored regularly by management to ensure that required service levels are maintained.

Innovation

We are continuing to invest in technology in order to provide our clients with improved access to our products and services, and to ensure our staff have leading edge capabilities to perform their functions efficiently and effectively.

In recognition of the growing importance of technology as an enabler to our business, we have strengthened our Information Technology (IT) team. A new CIO, Dominic Shine, came on board in July 2004, and is a member of the executive committee to ensure that we are fully considering the opportunities that technology brings to our business. We are insourcing in areas where we feel that IT can differentiate Beazley from our competitors and are continuing to improve our capabilities for our core business at Lloyd's.

We have launched an improved version of our e-trading platform (www.beazleytrade.com) which will replace our Eazypro platform. The new, more flexible platform, developed by Beazley's IT team using leading edge .NET technology, allows us to deploy a range of sophisticated products and capabilities to support our new business initiatives in the US. It will also open up new ways of doing business

in the UK, particularly in the area of small risks, where automation offers the ability to perform a high volume of lower value transactions efficiently. Its rating engine capabilities will also be applicable to our traditional business at Lloyd's where a greater degree of transparency is now required.

To support our US strategy, we have opened offices in Ponte Vedra, Florida and Farmington, Connecticut. We will also be supporting a number of regional producers working throughout the US. Our investment in centralised web based platforms and deployment of a leading edge IP telephony solution for voice and video will allow cost effective and efficient communication between our US operation and the UK.

We continue to be actively involved in initiatives to improve efficiency in the Lloyd's market and are supporting the ongoing Kinnect initiative to introduce straight through processing and improved data exchange. Our approach will be to develop a flexible gateway to allow Beazley to link to whatever platforms are developed in the future.

Overview and results

Although Beazley has been managing syndicate operations since 1986, 2004 is only the second year in which the underwriting results of syndicate 2623 are reflected within the group's

Chief executive’s review continued

Our expectation is that underwriting profits will be good in 2005 as rates are across all classes are holding up well.

Although investment returns are not expected to increase dramatically next year, the average investment balance will be considerably greater and therefore our investment income will increase.

Reinsurer debt exposure

1 Lloyd's

2 AAA

3 AA

4 A

5 BBB

6 Not rated



operating results. Being in the second year of operation, earned premiums, profit and earnings per share have all increased considerably in 2004 over 2003 despite the £15m impact of the hurricanes. The group made a pre-tax profit of £33.4m (2003: £17.1m) delivering an after tax earnings per share of 9.3p (2003 restated: 5.0p).

As the group is only in its second year of operation the table on page 11 shows the managed syndicate results i.e. the total capacity managed by the group being syndicates 623 and 2623. This shows that in 2004 profit for the managed syndicates was £37m (2003: £47m) and the combined ratio has moved to 90% (2003: 82%). The hurricanes impacted the profit by £43m adding 8% to the combined ratio.

The managed syndicates' gross written premium increased to £751m (2003: £708m). This is despite the devaluation of the dollar and is caused by the increased capacity in 2004. The rate increase on renewals across the whole business was 1% - within this, Specialty Lines showed an increase of 4% whilst rates in Marine and Reinsurance were stable and rates fell by 5% in the Property Group.

Capacity structure
Managed syndicate capacity for the 2005

year of account is £742m (2004: £741m). Within this apparent stability there are various movements. The 2004 year of account capacity is calculated using a sterling/dollar rate of exchange of 1.56, the 2005 using a sterling/dollar rate of exchange of 1.74 meaning that in real terms capacity has increased to 9%. We have added an engineering team in 2004 and our US business will add premiums in 2005.

The ownership of total managed capacity has increased from 54% in 2004 to 70% for 2005. The group bought £109m of capacity in the Lloyd's auctions in the third quarter of 2004 at a total cost of £1m with an extra £16m not taken up by the capital providers of syndicate 623, taken up by the group. For 2005 the group's share of the total managed capacity will be £522m (2004: £397m). It is expected that the extra capacity owned by the group will generate significant profits from 2006 onwards.

Capital requirements
For 2005 the group has two requirements for capital. Firstly for its underwriting at Lloyd's it has to deposit capital, known as funds at Lloyd's (FAL), at a level of 46.2% of premiums. As the group in 2005 owns £522m of capacity this requires £228m of capital after allowing for £13.5m of credits allowed by Lloyd's.

The second requirement for capital is to capitalise the US insurance company. Our aim is to get at least a rating of A- from AM Best and this will require at least \$50m of capital to be injected into the company. The funds available to the group have grown during 2004 as we have raised £105m net through a rights issue, increased our syndicated letter of credit facility to £70m and issued \$18m of long term subordinated debt. The debt has a final maturity of 30 years but can be repaid after 5 years.

Reinsurance
Beazley purchases significant amounts of reinsurance to mitigate the impact of catastrophes such as the recent hurricanes in Florida, to provide lead line capabilities to our underwriters and to help manage the group's capital position.

Reinsurance is only valuable if reinsurers are still solvent when collection is required. Given the long tail nature of Beazley's book this is particularly important. Beazley's reinsurance security committee meets monthly to assess and review our reinsurance counterparties. Not surprisingly financial strength is a key part of the analysis, but other factors such as management quality and willingness to pay are also considered. As a result, our exposure to failing reinsurers and poor quality

£647m

Total group cash
and investments

£70m

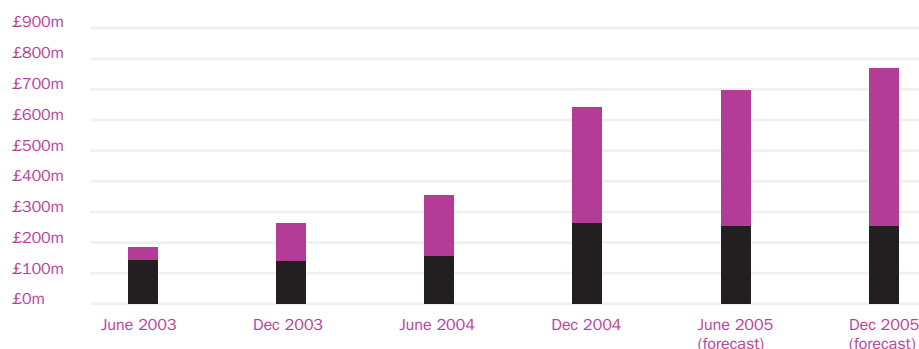
Increased letter of
credit facility

\$54m

Amount of dollars
sold for sterling

Investments

- Group funds including funds at Lloyd's
- Syndicate 2623



reinsurers has been kept to a minimum. Beazley also has strict processes in place to manage reinsurance debt, to ensure collection occurs as quickly as possible.

The combination of our security vetting, our strict policy wordings and our reinsurance collection processes has helped manage our aged debt exposure.

During 2004 prices for reinsurance remained high and this is likely to continue in 2005. Those lines most impacted by the hurricanes, such as energy and property catastrophe, are likely to experience firming of rates whilst for the specialty book rates are likely to remain high following shrinkage of capacity during the last few years.

Investments

The group earns investment income on its FAL and its operating cash-flows within syndicate 2623. The table above shows how both these elements have grown during the year, the FAL through the rights issue and the syndicate funds as we have received more cash in premiums than we have paid out in claims, reinsurance and expenses.

As stated in last year's annual report, the group has invested approximately 3.5% of its funds in alternative assets (high yield bonds, equities and hedge funds).

We are expecting our syndicate funds to continue to grow throughout 2005 due to the nature of our Specialty Lines portfolio and the increase in group owned capacity.

As far as foreign currency hedging is concerned, during the year we sold \$54m at an average rate of \$1.82. This was done monthly to reflect the fact that dollar denominated profits are earned throughout the year. The aim of the group is to minimise foreign exchange risks as they arise.

Dividends

The board is proposing a final dividend of 0.7p which, with the interim dividend of 0.3p per share brings the total dividend for 2004 to 1.0p per share. Dividends are expected to increase significantly in 2005 as we will have the cash available as profits are released from Lloyd's.

Outlook

Our expectation is that underwriting profits will be good in 2005 as rates across all classes remain at profitable levels. Although investment yields are not expected to increase dramatically next year, the average investment balance will be considerably greater and therefore our investment income will increase.

Our capital position gives us the financial

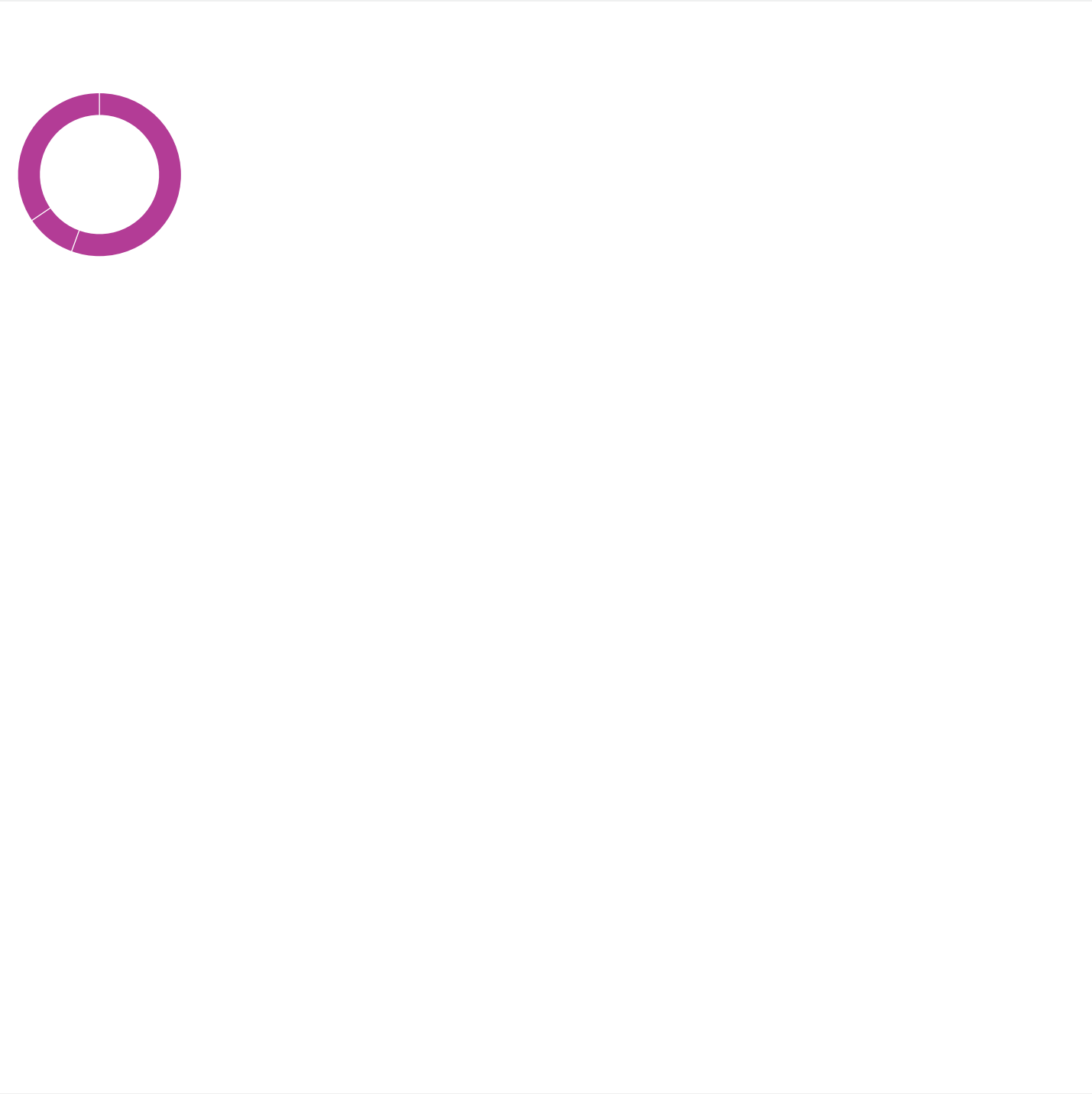
strength to continue with our strategy of investing in further opportunities to grow our business in our defined disciplined way.

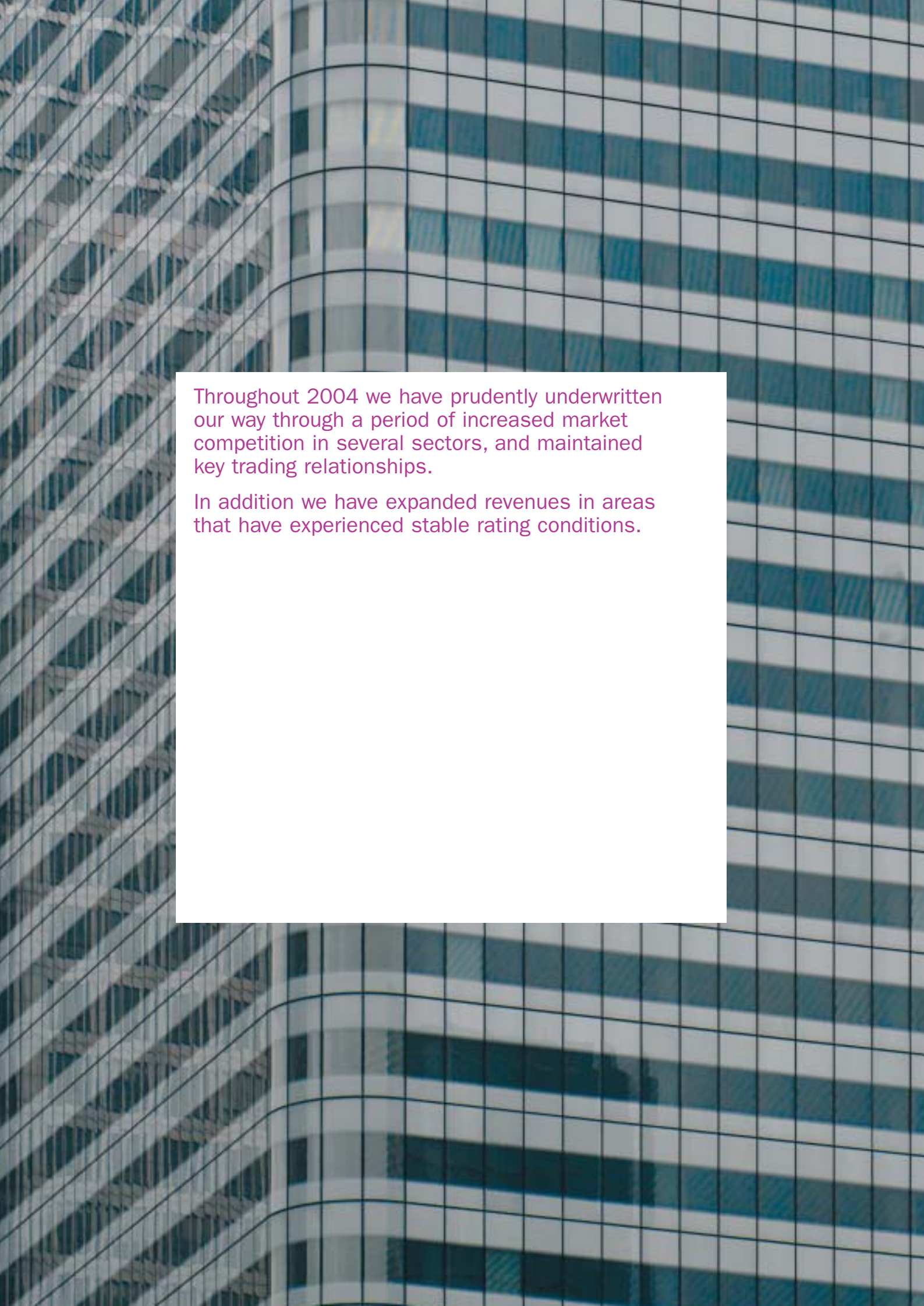
Andrew Beazley
Chief Executive



In a dynamic environment it is the ability to understand the trends and problems that are yet to emerge that will make the difference.

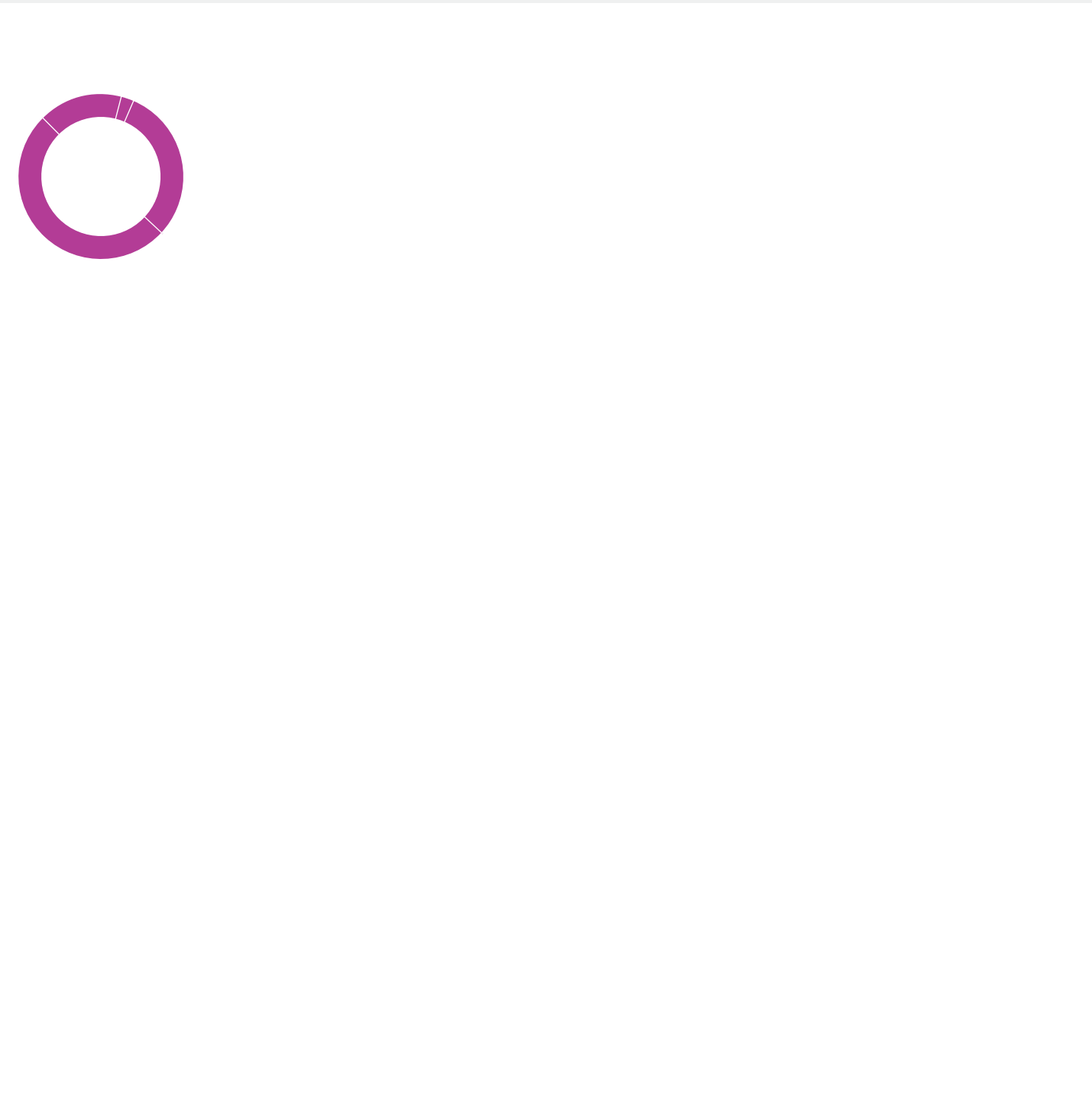
Our strategy is to ensure that our people get access to this information and the ability to distil and use that information effectively.

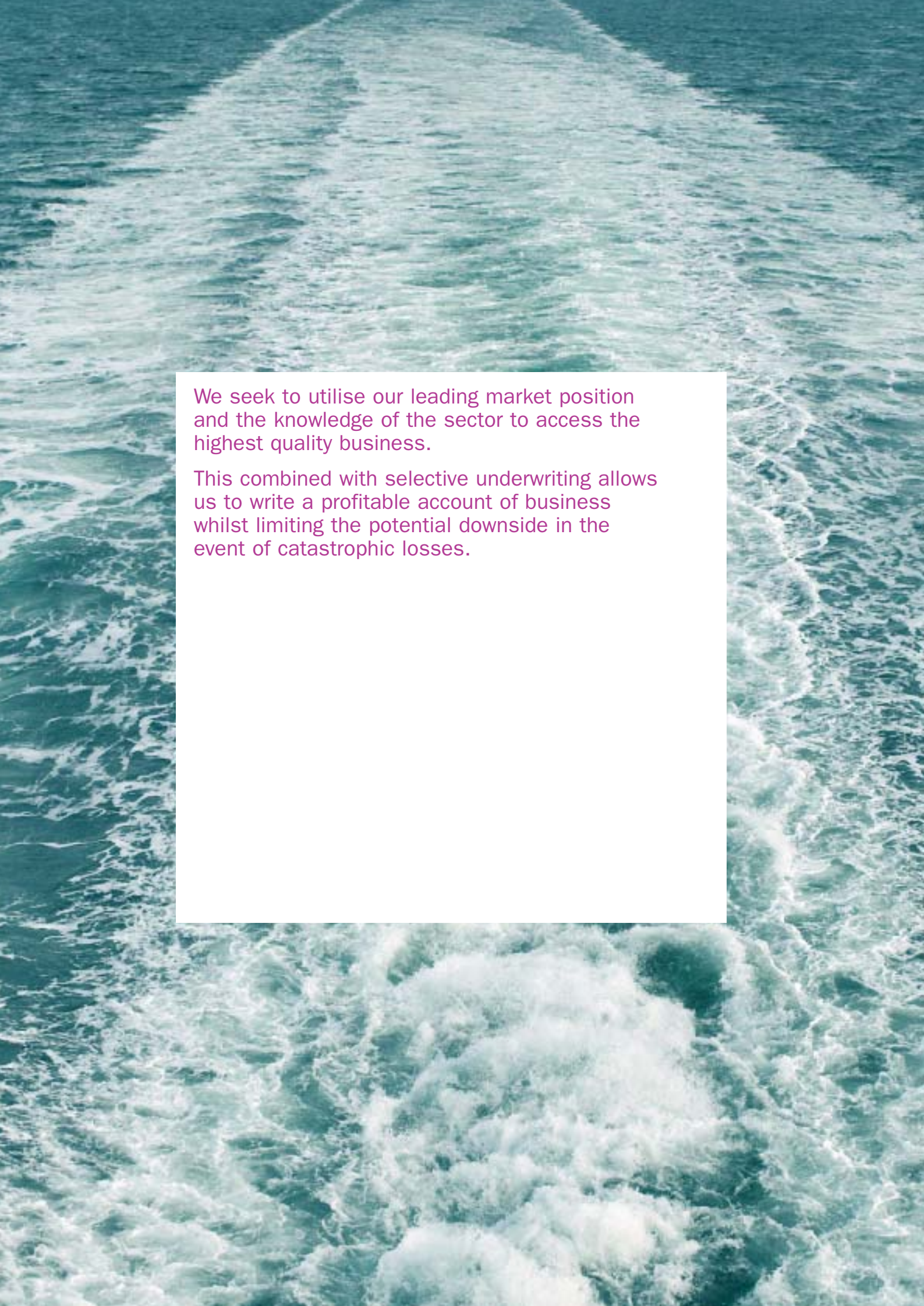




Throughout 2004 we have prudently underwritten our way through a period of increased market competition in several sectors, and maintained key trading relationships.

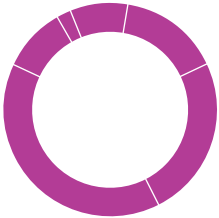
In addition we have expanded revenues in areas that have experienced stable rating conditions.

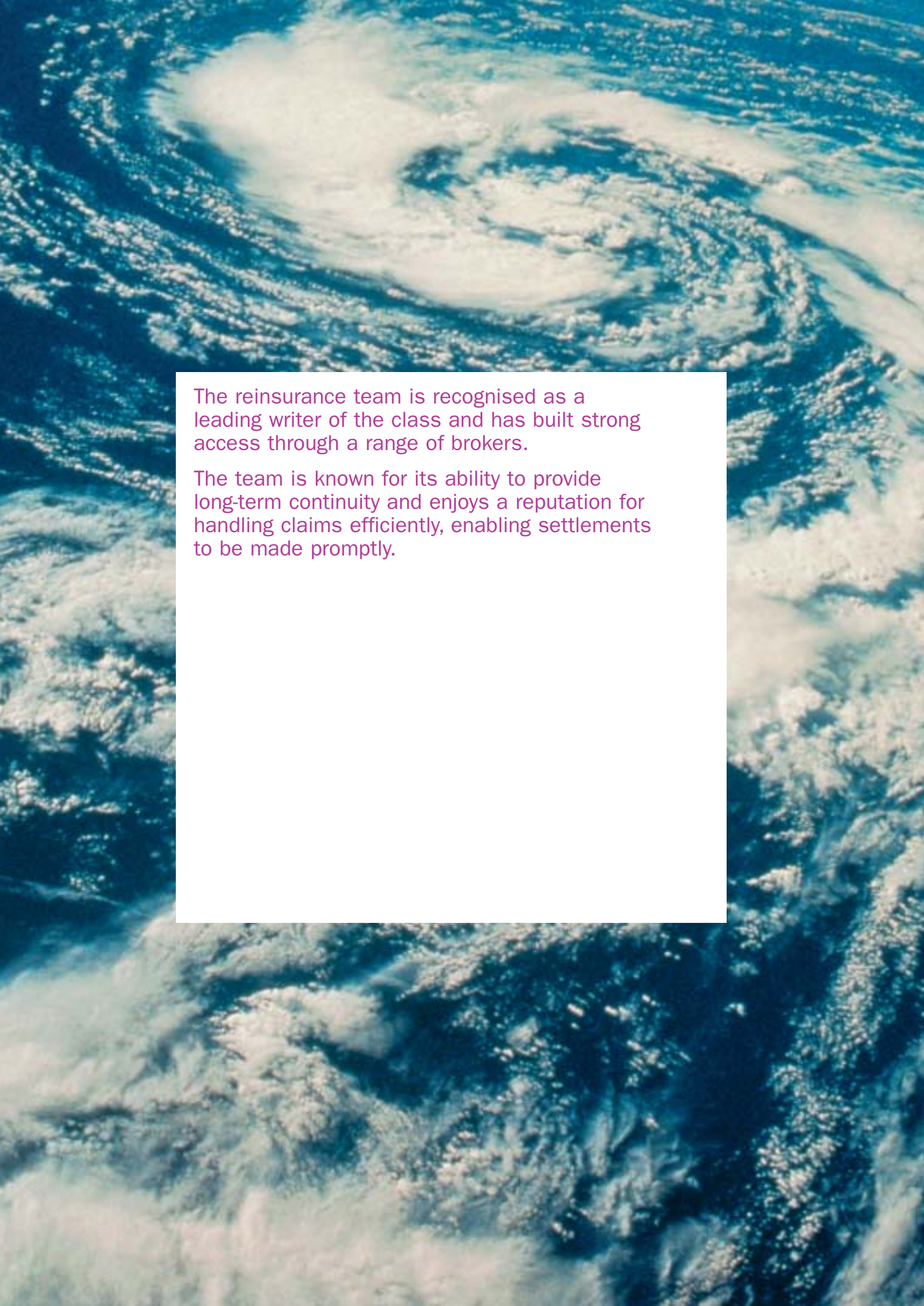


An aerial photograph showing the wake of a ship moving through the ocean. The water is a deep teal color, and the wake consists of two parallel lines of white foam and churning water that extend from the bottom center towards the top of the frame.

We seek to utilise our leading market position and the knowledge of the sector to access the highest quality business.

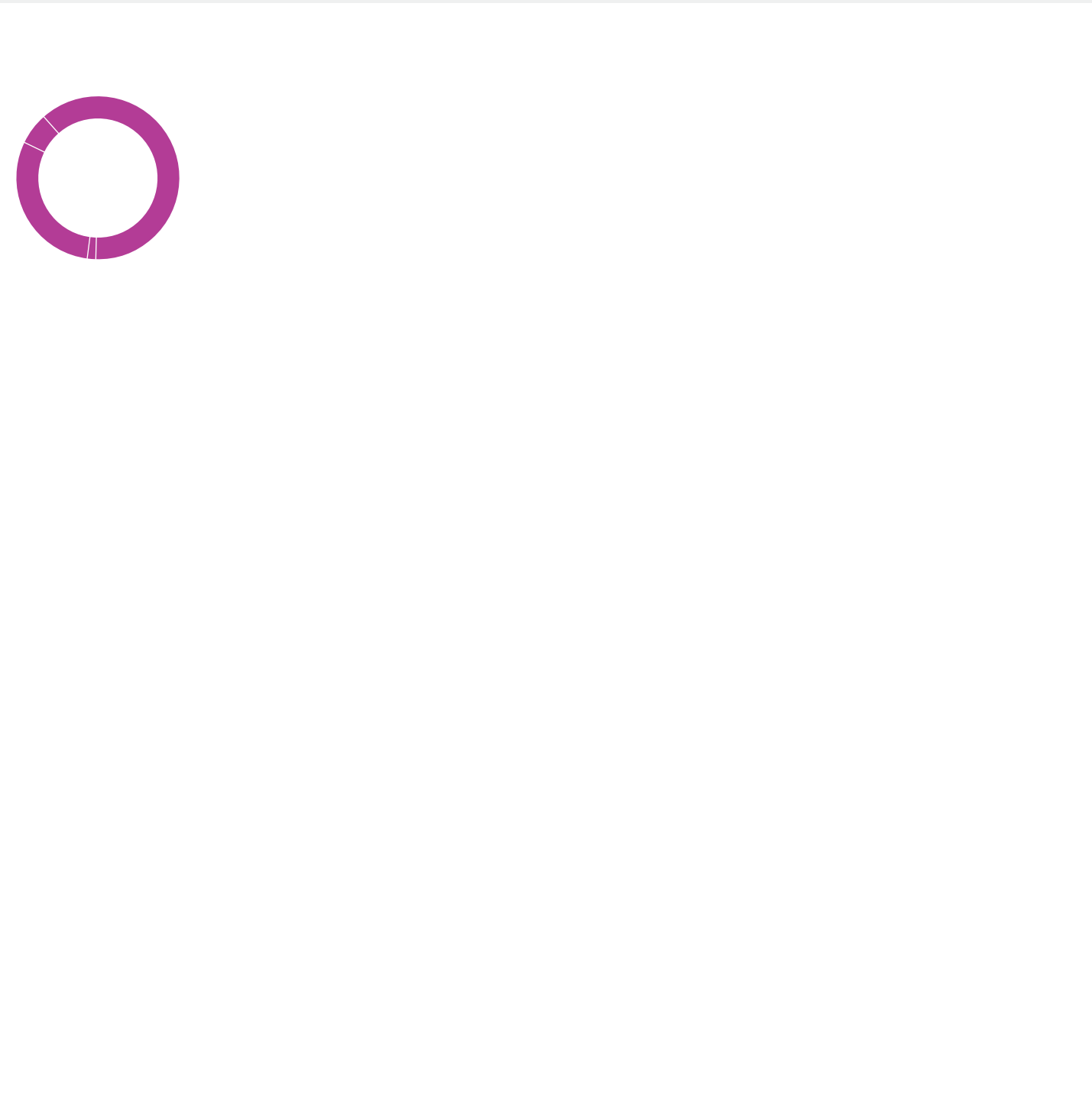
This combined with selective underwriting allows us to write a profitable account of business whilst limiting the potential downside in the event of catastrophic losses.









An aerial photograph of a tropical cyclone, showing a dense, swirling cloud structure over a dark blue ocean. The clouds are white and grey, with a distinct eye visible in the center. The surrounding ocean is a deep blue, with some white foam visible near the shore.

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.








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 51) 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 29 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 43) 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 54) is responsible for the risk management of the Beazley Group. Nicholas is a co-founder of Beazley Furlonge and has 33 years of Lloyd's experience. He is also responsible for branding and the ceded reinsurance department.

Jonathan Gray
(aged 51) is head of the group's Property Division. Jonathan has 31 years of Lloyd's experience and joined Beazley Furlonge in 1992. He specialises in writing open market commercial property risks.

Neil Maidment
(aged 42) is head of the group's Reinsurance Division. Neil has 20 years of Lloyd's experience and joined Beazley Furlonge in 1990 to take responsibility for the reinsurance account.

Johnny Rowell
(aged 43) is head of the group's Specialty Lines Division. Johnny has 20 years of Lloyd's experience and focuses on writing professional liability insurance.

Non-executive directors

Jonathan Agnew
(aged 63) is the chairman of the company. Jonathan was formerly a managing director of Morgan Stanley and subsequently chief executive of Kleinwort Benson (now Dresdner Kleinwort Wasserstein). He has been chairman of Limit plc and Gerrard Group plc. He is currently chairman of Nationwide Building Society.

Dudley Fishburn
(aged 58) is chairman of HFC Bank Limited and a non-executive director of HSBC Bank plc. He is a non-executive director of Household International Inc. and Altria Inc. in the US.

Andy Pomfret
(aged 44) was appointed chief executive of Rathbone Brothers Plc in 2004 having held the position of finance director since 1999. Prior to that, he held positions at Peat, Marwick, Mitchell & Co (now KPMG) and Kleinwort Benson (now Dresdner Kleinwort Wasserstein).

Joe Sargent
(aged 75) is chairman and portfolio manager at Bradley Foster & Sargent, Inc., a money manager in Connecticut, US. Prior to his current position, he was the chief executive of Conning and Company, a firm specialising in the analysis of insurance companies, for over 25 years.

Tom Sullivan
(aged 65) was a senior vice president of Aon, with responsibilities including insurance broking, consulting and underwriting. He has been a non-executive director of SVB Holdings and Jago Managing Agency Limited.

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 continue to develop procedures which will ensure that, where the board considers it appropriate, the Beazley Group will comply with the 2003 Combined Code on corporate governance which applies to reporting years beginning on or after 1 November 2003.

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 2003 Combined Code for the year ended 31 December 2004, with the following exceptions:

- 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 a member of the Beazley Group plc audit committee from 1 January 2004 until 7 September 2004, when the audit committees for Beazley Group and Beazley Furlonge Limited were separately constituted and appropriate terms of reference established for each committee.
- Jonathan Agnew was a member of the remuneration committee throughout the year. He resigned from the committee on 14 March 2005.

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 four 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 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 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 nomination 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 below.

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 36. 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 2003 Combined Code, the board has undertaken a formal and rigorous evaluation of its own performance and that of its committees and individual directors. This evaluation was undertaken by independent consultants.

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	8	8	–	–	4	4	1	1	5	5
A F Beazley	8	8	–	–	–	–	–	–	–	–
J D Fishburn	8	8	8	8	4	4	1	1	–	–
N H Furlonge	8	8	–	–	–	–	–	–	–	–
J G Gray	8	8	–	–	–	–	–	–	–	–
D A Horton	8	8	–	–	–	–	–	–	5	4
N P Maidment	8	8	–	–	–	–	–	–	5	4
A D Pomfret	8	8	8	8	4	4	1	1	–	–
J G B Rowell	8	7	–	–	–	–	–	–	–	–
J D Sargent	8	8	8	7	4	4	1	1	5	5
T F Sullivan	8	8	8	8	4	4	–	–	–	–

* Excludes 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 (committee chairman), Dudley Fishburn, Joe Sargent, and Tom Sullivan, who all served throughout the year. George Blunden, who was appointed on 23 April 2003, resigned on 7 September 2004. George Blunden was 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, and during the period 1 January to 7 September the audit committee operated as the audit committee for both the group and Beazley Furlonge Limited. On 7 September 2004, the audit committees of Beazley Group and Beazley Furlonge Limited were separately constituted and appropriate terms of reference established for each committee. The committee regularly meets without any executive management being present.

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, the finance director, and the risk management 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. The committee receives regular updates and monitors the status of actions taken by management to address issues raised by both external and internal audit. Risk management provides reports to the audit committee on the risk assessment and the self-certification from risk owners of the operating effectiveness of internal controls.

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. The policy specifically disallows certain activities to be provided by the auditor such as bookkeeping and accounting services, actuarial service, internal audit outsourcing services and executive remuneration services. The policy requires pre-approval for all material other services such as due diligence assistance, tax services and advice on accounting and audit matters.

Statement of corporate governance continued

The aim is to limit the total spend on non audit services to a maximum of the annual audit fee unless it is deemed to be in the shareholders interest from an efficiency and effectiveness point of view.

The split between audit and non-audit fees for the year under review is disclosed on page 51. The non-audit fees include tax compliance advice and tax advice on the US company acquisition and corporate structure, and IT penetration testing. All of these are considered by the audit committee not to affect the auditors' independence or objectivity.

Following publication of the revised 2003 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 Andy Pomfret, Joe Sargent, and Tom Sullivan. Jonathan Agnew who was a member of the committee during 2004, resigned 14 March 2005. The work of the remuneration committee is covered further in the directors' remuneration report on pages 28 to 36.

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 nominations 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.

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. 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 40 and 41, and the statement of directors on going concern on page 38.

Following the publication of the 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, approves the internal audit project plan and any subsequent changes. Internal audit reports 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 of executive directors 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 2004 comprised Dudley Fishburn as chairman, Jonathan Agnew, Joe Sargent, Tom Sullivan and Andy Pomfret. The company views each of these directors as independent. The committee met four times during the year.

The remuneration committee receives advice from a variety of sources on issues where it considers it appropriate. During the year New Bridge Street Consultants LLP was appointed consultants and advised the remuneration committee on ongoing remuneration issues. The committee also calls on specialist advice from a variety of additional sources including Federated Pension Services Ltd (FPS) for pensions advice, Watson Wyatt publications for salary data, The Share Option Centre and internal advisers including the CEO 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 the determination of their 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, healthclub 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 company has considered whether it is appropriate to set an upper limit and has recently agreed that such a limit would adversely affect the company's competitive position and would not be in the interests of shareholders. The methodologies used are detailed in the following section. The incentive payments, which comprise short-term incentive payments and share incentive plans, are awarded on a discretionary basis, and are determined by the remuneration committee in respect of performance of both the individual and the company. The policy is to ensure that a material proportion of each executive director's overall remuneration is performance based.

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

The directors believe that a key element of remuneration strategy is the share incentive plans that further align 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 incentive plans". Amendments to the performance conditions of the LTIP (for future awards only) were agreed at an Extraordinary General Meeting on 14 March 2005.

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

• Service contracts

The company has service contracts 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 2005 are as follows:

	Annual salary £	Date of contract	Unexpired term*	Notice period	Provision for compensation
A F Beazley	340,000	6 Nov 2002	n/a	12 months	Nil
N H Furlonge	235,000	6 Nov 2002	n/a	12 months	Nil
J G Gray	242,500	6 Nov 2002	n/a	12 months	Nil
D A Horton	225,000	1 Jun 2003	n/a	12 months	Nil
N P Maidment	237,500	6 Nov 2002	n/a	12 months	Nil
J G B Rowell	290,000	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. The company will normally phase any payments of compensation which will also be subject to negotiation.

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;
- Risk management skills; and
- Finance 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.

	Current annual fee £	Term of appointment	Expires	Other income* £
J G W Agnew	68,000	3 years	6 Nov 2005	–
J D Fishburn	38,000	3 years	6 Nov 2005	5,000
A D Pomfret	38,000	3 years	12 Jun 2006	8,000
J D Sargent	38,000	3 years	6 Nov 2005	6,000
T F Sullivan	38,000	3 years	6 Nov 2005	–

* Other income relates to the additional fee payable in respect of their chairmanship of a committee or in the case of J D Sargent as senior non-executive director.

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 £	Enterprise bonus pool £	Bonus deferred ² £	Benefits ³ £	Total for 12 months to 31 December 2004 £	Total for 12 months to 31 December 2003 £
J G W Agnew	50,000	–	–	–	50,000	45,000
A F Beazley	320,000	272,325	–	21,783	614,108	438,545
J D Fishburn	38,000	–	–	–	38,000	36,500
N H Furlonge	230,000	80,747	52,800	23,602	387,149	300,119
J G Gray	235,000	153,603	52,800	17,059	458,462	397,130
D A Horton ⁴	207,000	118,545	52,800	17,848	396,193	214,152
N P Maidment	230,000	139,821	52,800	22,294	444,915	395,000
A R Manners ⁵	–	–	–	–	–	80,551
A D Pomfret ⁶	38,000	–	–	–	38,000	19,000
J G B Rowell	275,000	203,865	–	18,915	497,780	307,019
J D Sargent	43,000	–	–	–	43,000	51,500
T F Sullivan	30,000	–	–	–	30,000	39,162
Total	1,696,000	968,906	211,200	121,501	2,997,607	2,323,678

1 Fees relate to membership of each director other than the chairman, on board committees (investment, audit, remuneration and nomination committees). During the year 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 directors have deferred bonus entitlements to support their underwriting through Beazley Staff Underwriting Ltd.

3 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.

4 D A Horton was appointed 12 June 2003.

5 A R Manners resigned from the board 12 June 2003.

6 A D Pomfret was appointed 12 June 2003.

Directors' remuneration report continued

• Short-term incentives

Enterprise bonus pool

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.

Retention plan

In addition to the 5.83% of syndicate profits that make up the the enterprise bonus pool, senior executives will be eligible to receive conditional awards of ordinary shares under the retention plan.

Selective operation of the retention plan will take place for key individuals during 2005 to seek to ensure they have an adequate retention package. The first full grant of awards will be made for the year ending 31 December 2005. The ordinary shares will be acquired and held by an Employee Benefit Trust and disclosure will be made in the future of the number of shares held and the annual cost to the company.

Awards under the retention plan will be determined by the remuneration committee annually based on individual and corporate/syndicate performance but for executive directors (including the chief executive) awards will be no greater than 50% of their gross annual cash bonus. For other executives, the maximum award will be the higher of 50% of their gross bonus or 50% of their gross salary.

The ordinary shares will be credited to a "bonus bank", and will normally be subject to forfeiture in the event that the executive ceases to be employed within the group during the first three years of an executive's participation in the plan. Thereafter, 15% of the outstanding bonus bank of ordinary shares for that individual will be released each year, with the balance continuing to be subject to forfeiture as above unless the remuneration committee decides otherwise, on an individual basis. Dividends will be rolled up during the first three years of an award and then paid on the third anniversary of the individual's first participation in the plan. Thereafter they will be paid as and when dividends are declared and paid to shareholders generally.

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 has been 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 for 2004 and 2005. As the 2002 year of account has now closed and the profits are fully recognised under GAAP, the final payment has been made under this arrangement.

	2002 Shareholders' Pool	
	2004	2005
	£	£
J G W Agnew	8,572	6,870
A F Beazley	785,716	629,724
J D Fishburn	–	–
N H Furlonge	285,712	228,988
J G Gray	392,773	314,794
D A Horton	–	–
N P Maidment	342,857	274,787
A D Pomfret	–	–
J G B Rowell	485,712	389,281
J D Sargent	28,487	22,832
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 2004 £	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 2004 £	Increase in transfer value less directors' contributions £
A F Beazley	157,857	7,381	21,310	102,479	2,191,730	905,588
N H Furlonge	120,592	5,789	13,487	92,030	1,916,936	706,686
J G Gray	20,967	1,650	2,267	22,523	286,198	104,069
N P Maidment	24,508	1,650	2,371	14,114	209,642	71,818
J G B Rowell	21,533	1,650	2,283	14,475	192,434	68,010

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. The provision of pension benefits in light of the Finance Act 2004 is under review.

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 2004* £	Contributions paid in 2003 £
D A Horton	12,656	7,218

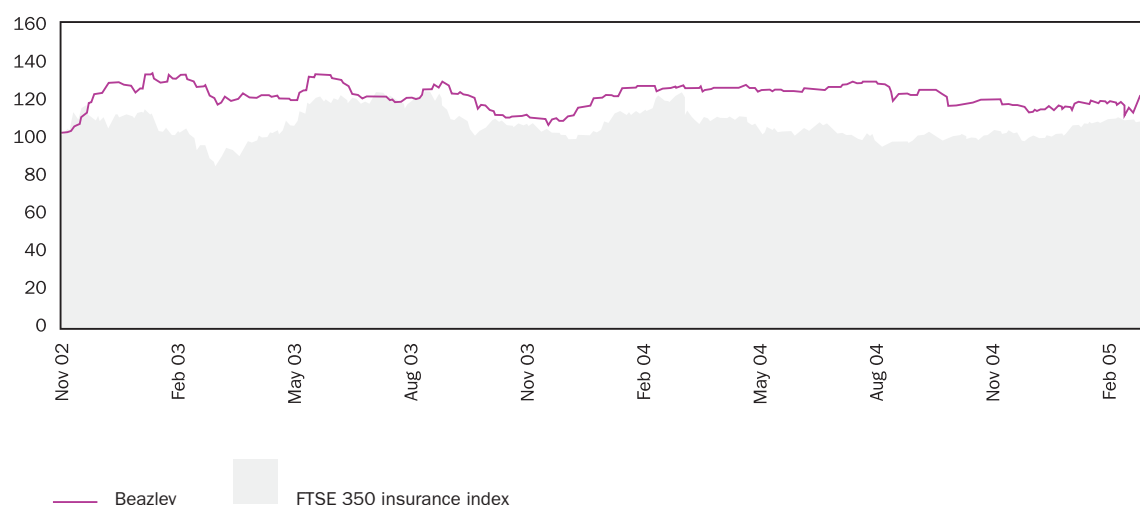
* Contribution made at 12.5% of base salary subject to Inland Revenue Earnings Cap.

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 (TSR)

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 performance against the FTSE 350 insurance 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 86.5p at the year-end. The highest and lowest market prices during the year were 96.39p and 84.25p respectively.

Shareholder returns



Directors’ remuneration report continued

Share incentive plans

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

The remuneration committee's review of incentive arrangements within the group has concluded that granting both share options and awards under the LTIP to the same executives, each with three year performance measures, is unnecessarily complex. Such an approach has a cost to shareholders whilst share options are generally not valued by participants. It was therefore agreed that in the future share option grants (other than those under the Beazley save as you earn scheme which have substantial tax advantages for participants) are made only in exceptional circumstances, e.g. recruitment, when the terms of those share options will reflect best practice prevailing at that time. In particular, there will be no retesting of performance conditions on those grants. Existing options will, be honoured and allowed to run their full course.

• 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.

The maximum normal levels of grants that may be made under the LTIP to one individual is one times salary in any financial year, measured by the value of ordinary shares put under award at the time of the award. Dividends are not current accrued on ordinary shares prior to vesting and the number of shares awarded are not therefore adjusted. The remuneration committee will keep this issue under review for future awards.

Previous Awards		Shares can only be received if two conditions are met: (a) if net assets value (NAV) growth is greater than the risk free rate of return plus 5% per year AND (b) if TSR is at least median in the comparator group	If both conditions are met, 50% of the award vests at median TSR performance, with full vesting at upper quartile performance. For performance between median and upper quartile the number of shares which can be received is determined on a straight-line basis.
Proposed Awards	Shares worth up to 50% of salary ("Basic Shares")	50% of the Basic Shares will be received if NAV growth equals or is greater than the risk free rate of return plus 5% per year. AND/OR 25% of the Basic Shares will be received for median TSR performance and 50% of the Basic Shares will be received for upper quartile performance. For performance between median and upper quartile the number of shares which can be received is determined on a straight-line basis.	
	Shares worth more than 50% of salary ("Additional Shares")	No Additional Shares will be received if NAV growth is less than the risk free rate of return plus 5% per year. 50% of the Additional Shares will be received for a rate of out-performance of risk free rate of return plus 10% or more per year. For out-performance of the risk free rate of return of between plus 5% and plus 10%, the number of shares which will be received is determined on a straight-line basis. AND/OR No Additional Shares will be received is less than upper quartile TSR performance is achieved. 50% of the Additional Shares will be received if top decile performance is achieved. For performance between upper quartile and top decile performance, the number of shares which will be received is determined on a straight-line basis.	

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 | – Hardy |
| – Atrium | – Highway |
| – Brit Insurance | – Hiscox |
| – Chaucer | – Kiln |
| – Cox | – SVB |
| – Goshawk | – Wellington |

The long-term incentive plan performance conditions were originally set when the scheme was established by board resolution on 6 November 2002. The performance conditions were amended at an Extraordinary General Meeting on 14 March 2005 for grants and LTIP's made after that date.

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 below. All provisional awards during the period were made on 15 May 2003 when the share price was 90.04p (as adjusted for the 2004 rights issue) and 13 June 2003 when the share price was 98.84p (as adjusted for the 2004 rights issue). No provisional awards were exercised during the period as none have vested unconditionally since the first grant was made under this plan.

• 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 2004 and no further grants are anticipated. The exercise price per ordinary share for this grant is 71.44p (as adjusted for the 2004 rights issue), 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 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 and the limit on grants when aggregated with awards under the LTIP is shares with a face value of one times salary or twice salary in exceptional circumstances.

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 NAV plus dividends per share growth to increase as follows over a three year period:

- 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;
- 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;
- 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;
- 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

Directors' remuneration report continued

- 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 the plan has been approved by the Inland Revenue.

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 73p (as adjusted for the 2004 rights issue) for grants in 2003 and 74p (as adjusted for the 2004 rights issue) for grants in 2004, 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.

The share plans permit 10% of the company's share capital to be issued pursuant to options/LTIP awards in a 10 year period. Since November 2002 2.0% of the share capital has been allocated for option and LTIP awards. The remuneration committee will be assessing the impact of the move to International Accounting Standards and will ensure that performance under the incentive plans will be measured on a consistent basis.

• Directors' share scheme interests

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

	Scheme	At 31 Dec 2003	Awarded	Ex-Rights Adjustment	At 31 Dec 2004	Ex. price	Earliest date of exercise	Expiry date
A F Beazley	Pre-IPO plan	975,288	–	21,296	996,584	71.44p	06/11/05	06/11/12
	Unapproved plan	238,870	–	5,216	244,086	71.44p	06/11/05	06/11/12
	Unapproved plan	150,000	–	3,265	153,265	90.04p	15/05/06	15/05/13
	Unapproved plan	–	82,500	1,800	84,300	93.95p	29/03/07	29/03/14
	LTIP	79,623	–	1,740	81,363	Nil	06/11/05	06/11/12
	LTIP	50,000	–	1,092	51,092	Nil	15/05/06	15/05/13
	LTIP	–	27,500	601	28,101	Nil	29/03/07	29/03/14
	SAYE 2003	12,600	–	345	12,945	73p	01/07/06	01/01/07
N H Furlonge	Pre-IPO plan	401,589	–	8,769	410,358	71.44p	06/11/05	06/11/12
	Approved plan	–	31,250	681	31,931	93.95p	29/03/07	29/03/14
	Unapproved plan	90,411	–	1,974	92,385	71.44p	06/11/05	06/11/12
	Unapproved plan	70,968	–	1,544	72,512	71.44p	15/05/06	15/05/13
	Unapproved plan	–	25,000	545	25,545	93.95p	29/03/07	29/03/14
	LTIP	30,137	–	658	30,795	Nil	06/11/05	06/11/12
	LTIP	23,656	–	517	24,173	Nil	15/05/06	15/05/13
	LTIP	–	18,750	409	19,159	Nil	29/03/07	29/03/14
SAYE 2004	–	12,336	400	12,736	74p	01/06/07	01/12/07	
J G Gray	Pre-IPO plan	803,178	–	17,538	820,716	71.44p	06/11/05	06/11/12
	Approved plan	–	31,250	681	31,931	93.95p	29/03/07	29/03/14
	Unapproved plan	115,582	–	2,523	118,105	71.44p	06/11/05	06/11/12
	Unapproved plan	90,726	–	1,974	92,700	90.04p	15/05/06	15/05/13
	Unapproved plan	–	32,500	709	33,209	93.95p	29/03/07	29/03/14
	LTIP	38,527	–	842	39,369	Nil	06/11/05	06/11/12
	LTIP	30,242	–	660	30,902	Nil	15/05/06	15/05/13
	LTIP	–	21,250	464	21,714	Nil	29/03/07	29/03/14
SAYE 2003	12,600	–	345	12,945	73p	01/07/06	01/01/07	
D A Horton	Pre-IPO plan	–	–	–	–	–	–	–
	Approved plan	29,702	–	649	30,351	98.84p	13/06/06	13/06/13
	Approved plan	–	1	–	1	93.95p	29/03/07	29/03/14
	Unapproved plan	155,941	–	3,407	159,348	98.84p	13/06/06	13/06/13
	Unapproved plan	–	63,749	1,391	65,140	93.95p	29/03/07	29/03/14
	LTIP	61,881	–	1,352	63,233	Nil	13/06/06	13/06/13
	LTIP	–	21,250	464	21,714	Nil	29/03/07	29/03/14
	SAYE 2004	–	12,336	400	12,736	74	01/06/07	01/12/07
N P Maidment	Pre-IPO plan	860,548	–	18,791	879,339	71.44p	06/11/05	06/11/12
	Approved plan	–	31,250	681	31,931	93.95p	29/03/07	29/03/14
	Unapproved plan	113,014	–	2,467	115,481	71.44p	06/11/05	06/11/12
	Unapproved plan	88,710	–	1,931	90,641	90.04p	15/05/06	15/05/13
	Unapproved plan	–	32,500	709	33,209	93.95p	29/03/07	29/03/14
	LTIP	37,671	–	823	38,494	Nil	06/11/05	06/11/12
	LTIP	29,570	–	646	30,216	Nil	15/05/06	15/05/13
	LTIP	–	21,250	464	21,714	Nil	29/03/07	29/03/14
SAYE 2003	12,600	–	345	12,945	73p	01/07/06	01/01/07	
J G B Rowell	Pre-IPO plan	573,699	–	12,527	586,226	71.44p	06/11/05	06/11/12
	Approved plan	–	31,250	681	31,931	93.95p	29/03/07	29/03/14
	Unapproved plan	118,151	–	2,580	120,731	71.44p	06/11/05	06/11/12
	Unapproved plan	92,742	–	2,018	94,760	90.04p	15/05/06	15/05/13
	Unapproved plan	–	32,500	709	33,209	93.95p	29/03/07	29/03/14
	LTIP	39,384	–	860	40,244	Nil	06/11/05	06/11/12
	LTIP	30,914	–	675	31,589	Nil	15/05/06	15/05/13
	LTIP	–	21,250	464	21,714	Nil	29/03/07	29/03/14
SAYE 2003	12,600	–	345	12,945	73p	01/07/06	01/01/07	

Directors' remuneration report continued

• 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 2004	Acquired during year	Number of ordinary shares held as at 31 December 2004	Shareholding as a percentage of the total issued ordinary share capital as at 31 December 2004
J G W Agnew	72,713	41,550	114,263	0.03
A F Beazley	6,771,810	238,095	7,009,905	1.94
J D Fishburn	10,000	5,714	15,714	0.00
N H Furlonge	2,451,307	59,524	2,510,831	0.70
J G Gray	3,339,043	29,762	3,368,805	0.93
D A Horton	23,203	13,258	36,461	0.01
N P Maidment	2,915,545	29,762	2,945,307	0.82
A D Pomfret	10,500	6,000	16,500	0.00
J G B Rowell	4,120,663	–	4,120,663	1.14
J D Sargent	1,112,760	179,433	1,292,193	0.36
T F Sullivan	–	10,000	10,000	0.00

With a total of 360,619,056 issued shares at 31 December 2004, the directors held 5.95%.

• Underwriting interests on syndicate 623

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

	2004 year of account capacity £	2005 year of account capacity £
J G W Agnew	–	70,000
A F Beazley	1,357,710	1,025,095
N H Furlonge	132,000	111,841
J G Gray	132,000	111,841
D A Horton	132,000	111,841
N P Maidment	132,000	111,841
J G B Rowell	1,116,100	1,250,000
J D Sargent	870,400	–

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 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.

Annual general meeting

A resolution will be proposed at the forthcoming annual general meeting to be held on 20 June 2005 to approve this directors' remuneration report.

By order of the board

Dudley Fishburn

Chairman of the Remuneration Committee
One Aldgate
London EC3N 1AA

14 March 2005

Directors' report

The directors have pleasure in presenting their report and the audited financial statements of the group for the year ended 31 December 2004.

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 2004 capacity of £741m, and Beazley Underwriting Limited, a corporate member of Lloyd's, the sole capital provider of syndicate 2623 with an underwriting capacity in 2004 of £397m, 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.

Rights issue

On 10 December 2004 the company allotted 131,134,115 ordinary shares at 84 pence per share pursuant to a fully underwritten 4 for 7 rights issue as set out in a prospectus dated 1 November 2004. This raised the group £104.6m of additional funds net £5.5m of capital listing costs. These proposals were approved by shareholders at an Extraordinary General Meeting on 17 November 2004.

Results and dividends

The consolidated profit after taxation for the year ended 31 December 2004 amounted to £23.4m (year ended 31 December 2003: £11.8m).

The directors recommend a final dividend of 0.7p per share. This, when taken with the interim dividend of 0.3p per share, gives a total dividend of 1.0p per share for the year ended 31 December 2004 (year ended 31 December 2003: 0.75p).

Directors

The directors of the company at 31 December 2004, who served throughout the year and to the date of this report were as follows:

Jonathan Geoffrey William Agnew	(non-executive chairman)
Andrew Frederick Beazley	(chief executive)
David Andrew Horton	(group finance director)
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)
Joseph Denny Sargent	(non-executive director)
Thomas Francis Sullivan	(non-executive director)

In accordance with the articles of association, Nicholas Furlonge, Jonathan Gray, Neil Maidment and Jonathan Rowell retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Joe Sargent is aged 75 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 36. 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 to 27.

International Financial Reporting Standards (IFRS)

The group has started the transition to the IFRS framework and the project is at an advanced stage. The project is at a stage of converting the 31 December 2003 balance sheet along with restatement of 30 June 2004 interim financial statements.

Although the transition to IFRS is not going to have a significant impact on total shareholders funds, our impact analysis highlighted the following key changes:

- No changes to the group's dividend payout policy;
- No major changes to accounting for insurance and reinsurance policies. Most policies written by the group meet the definition of an insurance contract as prescribed in IFRS 4 (Insurance Contracts);

Directors' report continued

- Elimination of long term investment return calculation;
- Recognising a cost for employee share based compensation schemes under IFRS 2 (Share Based Payment);
- As required by IAS 19 (Employee Benefits), the pension deficit will be recorded in the financial statements;
- Goodwill will be subject to an annual impairment test rather than an amortisation charge;
- Investments will be valued at marked to market at bid price rather than mid price as currently valued;
- The group has taken advantage of the first time adoption exemptions and will not restate any business combinations that took place prior to transition to IFRS;

As the IFRS are subject to change by the International Accounting Standards Board and other bodies, it is not prudent to quantify the impact of the IFRS transition. The group is planning to present its restated financial statements on an IFRS basis with the announcement of our next interim results.

Going concern

The directors have prepared these accounts on a going concern basis, as they are of the opinion that the company and group 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 company and group's policy for the year ending 31 December 2004, 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 33 days purchases included in trade creditors at 31 December 2004 (2003: 23 days).

Corporate, social and environmental 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.

The core values of the Beazley Group assist in setting the standards of behaviour expected from all staff. The core values include integrity and effectiveness and are intended to guide employees in the way that they deal with a range of stakeholders both internal and external.

Beazley has a clearly stated aim of attracting and retaining talented staff and has recently appointed a head of talent management to develop this policy. We strive to create an environment and culture that attracts high quality staff that allows them to perform to an excellent standard.

In order to facilitate this, the group is committed to providing equal opportunities to potential and actual employees in all aspects of employment.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitude of the applicant concerned. Our employment policies in practices are free from discrimination on any grounds relating to selection, training and development, career progression and any other employment matters.

We are committed to training and developing all of our employees to maximise their potential. A comprehensive personal development programme ensures that each employee has a training plan to develop key aspects of their skills to allow them to develop their career more effectively. These personal training and development needs are complemented by a company wide training scheme to build on the requirements of the individuals. The training programmes are reviewed with each employee on an annual basis in conjunction with the performance of the individual and are both measured against clearly set objectives.

Employees are kept informed of the business and its activities through formal company wide briefings that occur twice a month, team meetings and the use of the intranet.

The way our insureds conduct their business is an important factor within our underwriting philosophy and therefore the insureds attitude towards risk management is a key factor in the underwriting process.

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.

Beazley is a member of the Lloyd's Community Programme (LCP) and encourages staff to involve themselves in helping pupils in schools in the Tower Hamlets area, one of the most deprived areas in the country. The largest programme is 'Reading Partners' where members of staff volunteer their lunch hour to sit with children and help them with their literacy. There are currently over 20 volunteers including 2 executive directors helping with the various partnership schemes.

In addition two directors participate in the Police Mentoring programme, where a senior business person is paired with a senior police officer, in one of three of East London's most challenging boroughs, in order to help them develop their management skills.

Charitable and political donations

The group made charitable donations during the year ended 31 December 2004 of £16,617 (year ended 31 December 2003: £19,637). 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, particularly where members of staff are engaged in fund raising activities.

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

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 15 and 26 to the financial statements.

Substantial shareholdings

As at 11 March 2005, 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	82,697,205	22.93
Fidelity Investments	36,025,786	9.99
Jupiter Asset Management Limited	28,132,468	7.80
Artemis Investment Management	22,003,099	6.10
Lehman Brothers	16,794,452	4.66
Hermes Investment Management	13,036,397	3.61
Legal & General Group plc	12,988,994	3.60

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 £4,450,000. This authority shall expire on whichever is the earlier of the conclusion of the annual general meeting of the company to be held in 2006 or the date falling fifteen months from the passing of this resolution. The directors have no present intention of exercising this authority, which represents 24.68% 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 £900,000, representing 4.99% 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;

At 14 March 2005 the company held no shares in treasury.

Directors' report continued

- 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 £900,000, representing 4.99% of the present issued share capital.

This is a renewal of the authority granted by shareholders at the 2004 annual general meeting, since when no shares have been re-purchased.

At 14 March 2005 there are outstanding options to subscribe for 7.6m ordinary shares pursuant to employee share schemes, representing 2.0% of the issued share capital. If the authority to purchase shares were exercised in full, these options would represent 2.2% of the issued share capital.

- amend the Articles of Association to reflect the changes that will be made by The Companies (Audit Investigations and Community Enterprise) Act 2004 to section 310 of the Companies Act 1985 in relation to the indemnification of directors by companies for liabilities arising in connection with the performance of their functions when it comes into force on 6 April 2005 (Article 168.1).

The notice of the annual general meeting is set out on pages 63 and 64.

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

14 March 2005

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss 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 statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent auditors' report to the members of Beazley Group plc

We have audited the financial statements on pages 42 to 62. 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 40, 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 corporate governance statement on pages 24 to 27 reflects the company's compliance with the nine provisions of the 2003 FRC 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 judgements 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 2004 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
8 Salisbury Square
London EC4Y 8BB

Registered Auditor
14 March 2005

Consolidated profit and loss account

Technical account – general business for the year ended 31 December 2004

	Notes	Year ended 31 December 2004 £m	Year ended 31 December 2003 £m
Earned premiums, net of reinsurance			
Gross premiums written	4	402.3	333.6
Outward reinsurance premiums		(73.3)	(68.9)
Net premiums written		329.0	264.7
Change in the gross provision for unearned premiums		(39.5)	(165.6)
Change in the provision for unearned premiums, reinsurers' share		4.2	32.7
Change in the net provision for unearned premiums		(35.3)	(132.9)
Earned premiums, net of reinsurance		293.7	131.8
Allocated investment return transferred from the non-technical account	6	14.8	8.7
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		(40.4)	(5.8)
Reinsurers' share		2.2	0.2
Net claims paid		(38.2)	(5.6)
Change in the provision for claims:			
Gross amount		(184.4)	(99.6)
Reinsurers' share		40.6	27.6
Change in the net provision for claims		(143.8)	(72.0)
Claims incurred, net of reinsurance		(182.0)	(77.6)
Net operating expenses	5	(87.4)	(43.0)
Balance on the technical account	4	39.1	19.9

All operations of the group are continuing

The notes on pages 47 to 62 form part of these financial statements.

Consolidated profit and loss account

Non-technical account for the year ended 31 December 2004

	Notes	Year ended 31 December 2004 £m	Year ended 31 December 2003 £m
Balance on the technical account		39.1	19.9
Investment income	6	12.4	6.7
Unrealised gains/(losses) on investments		–	(0.7)
Investment management expenses and charges		(0.6)	(0.3)
		11.8	5.7
Allocated investment return transferred to the technical account	6	(14.8)	(8.7)
		(3.0)	(3.0)
Other income	7	11.3	11.2
Other charges:	8	(14.0)	(11.0)
Profit on ordinary activities before tax		33.4	17.1
Comprising:			
Operating profit based on longer term investment return		36.3	18.7
Share of operating profit of associate		0.1	1.4
Short term fluctuations in investment return		(3.0)	(3.0)
Tax on profit	11	(10.0)	(5.3)
Profit on ordinary activities after tax		23.4	11.8
Dividends – interim paid		(0.7)	(0.6)
Dividends – final payable		(2.5)	(1.1)
	12	(3.2)	(1.7)
Retained profit for the period		20.2	10.1
Earnings per share(*):			
– Basic, based on profit on ordinary activities after tax	13	9.3p	5.0p
– Diluted, based on profit on ordinary activities after tax	13	9.3p	5.0p

(*) Earnings per share has been restated to reflect the effect of the share issue, see note 13.

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 2004

	Year ended 31 December 2004 £m	Year ended 31 December 2003 £m
Profit on ordinary activities after tax	23.4	11.8
Exchange differences taken to reserves	(0.2)	(1.6)
Total recognised gains and losses	23.2	10.2

Balance sheet

At 31 December 2004

		2004		2003	
	Notes	Group £m	Company £m	Group £m	Company £m
Assets					
Intangible assets	14	7.7	–	7.1	1.1
Investments					
Investment in associated undertaking		1.3	–	1.2	–
Investments in subsidiary undertaking		–	5.1	–	5.1
Other financial investments		578.0	228.3	241.0	131.7
	15	579.3	233.4	242.2	136.8
Reinsurers' share of technical provisions					
Provisions for unearned premiums	19	33.6	–	31.0	–
Claims outstanding	19	152.2	–	25.8	–
		185.8	–	56.8	–
Debtors					
Debtors arising out of direct insurance operations	16	74.8	–	58.8	–
Debtors arising out of reinsurance operations	16	14.2	–	19.9	–
Other debtors	17	6.5	44.6	1.6	8.0
		95.5	44.6	80.3	8.0
Other assets					
Cash at bank and in hand		68.6	1.7	19.4	0.4
Prepayments and accrued income					
Accrued interest		0.2	–	0.2	–
Deferred acquisition costs		37.0	–	30.5	–
Other prepayments and accrued income		18.3	–	9.2	0.2
Total assets		992.4	279.7	445.7	146.5
Liabilities					
Capital and reserves					
Called up share capital	21	18.0	18.0	11.5	11.5
Share premium account		230.5	230.5	132.4	132.4
Merger reserve		1.6	–	1.6	–
Profit and loss account		27.9	17.9	7.9	0.2
Shareholders' funds attributable to equity interests	22	278.0	266.4	153.4	144.1
Technical provisions					
Provision for unearned premiums	19	187.4	–	155.8	–
Claims outstanding	19	450.8	–	93.4	–
Provision for other risks and charges	20	7.2	–	3.5	–
Creditors					
Creditors arising out of direct insurance operations		0.5	–	0.1	–
Creditors arising out of reinsurance operations		23.8	–	28.3	–
Amounts owed to credit institutions		9.4	9.4	–	–
Other creditors including taxation and social security	18	16.9	3.9	3.6	2.1
Accruals and deferred income		18.4	–	7.6	0.3
Total liabilities		992.4	279.7	445.7	146.5

The financial statements were approved by the board of directors on 14 March 2005 and were signed on its behalf by:

J G W Agnew, Chairman

A F Beazley, Chief Executive

D A Horton, Group Finance Director

The notes on pages 47 to 62 form part of these financial statements.

Consolidated cash flow statement

For the year ended 31 December 2004

	Notes	Year ended 31 December 2004 £m	Year ended 31 December 2003 £m
Net cash flow from operating activities	23	278.3	125.8
Taxation paid		(3.3)	(1.1)
Capital expenditure – purchase of syndicate capacity		(1.0)	(1.1)
Equity dividends paid		(1.8)	(0.6)
Increase in debt		9.4	–
Issue of ordinary shares		104.6	–
Net cash flows		386.2	123.0
Cash flows were invested as follows:			
Increase in cash holdings		49.2	14.4
Increase in shares and other variable yield securities		20.1	–
Increase in debt securities and other fixed asset investments		316.9	108.6
Net investment cash flows	24	386.2	123.0

The notes on pages 47 to 62 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 on accounting for insurance business issued by the Association of British Insurers in November 2003 ('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. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

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. 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.

b. 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.

c. 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.

d. 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 or reduction in the level of provision required becomes apparent.

e. 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.

Notes to the financial statements continued

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 included in the company's own balance sheet are stated at cost less premiums for any impairment.

f. 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.

g. 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.

h. 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.

i. 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.

j. 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.

k. Leases

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

l. 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.

m. Deferred taxation

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. Segmental analysis

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

2004					
	Marine £m	Property £m	Specialty Lines £m	Reinsurance £m	Total £m
Gross premiums written	62.1	93.1	203.7	43.4	402.3
Net premiums written	50.8	77.0	168.4	32.8	329.0
Net earned premiums	43.5	72.6	143.7	33.9	293.7
Investment income	1.5	2.7	9.1	1.5	14.8
Net claims	(20.9)	(38.9)	(98.0)	(24.2)	(182.0)
Expenses	(14.4)	(24.7)	(39.6)	(8.7)	(87.4)
Balance on technical account	9.7	11.7	15.2	2.5	39.1
Claims ratio	48%	54%	68%	71%	62%
Expense ratio	32%	35%	27%	26%	30%
Combined ratio	80%	89%	95%	97%	92%

2003					
	Marine £m	Property £m	Specialty Lines £m	Reinsurance £m	Total £m
Gross premiums written	41.9	93.0	155.3	43.4	333.6
Net premiums written	33.5	77.7	119.1	34.4	264.7
Net earned premiums	12.6	37.9	54.1	27.2	131.8
Investment income	0.7	2.0	5.0	1.0	8.7
Net claims	(5.3)	(18.1)	(37.5)	(16.7)	(77.6)
Expenses	(5.1)	(11.7)	(18.6)	(7.6)	(43.0)
Balance on technical account	2.9	10.1	3.0	3.9	19.9
Claims ratio	42%	48%	69%	61%	59%
Expense ratio	32%	31%	29%	31%	30%
Combined ratio	74%	79%	98%	92%	89%

The operating profit and net assets of the managing agency have not been disclosed as these are deemed immaterial as defined by the Statement of Standard Accounting Practice (SSAP) Number 25.

Notes to the financial statements continued

5. Net operating expenses

	Year ended 31 December 2004 £m	Year ended 31 December 2003 £m
Acquisition costs	77.6	64.0
Change in deferred acquisition costs	(7.8)	(32.2)
Administrative expenses	17.6	11.2
	<u>87.4</u>	<u>43.0</u>

6. Investment return

a. The total actual investment return before taxation comprises:

	Year ended 31 December 2004 £m	Year ended 31 December 2003 £m
Investment return on funds at Lloyd's and other corporate funds:		
Investment income	7.4	5.9
Unrealised gains/(losses) on investments	(0.4)	(0.4)
Realised gains/(losses) on investments	(0.5)	(0.3)
	<u>6.5</u>	<u>5.2</u>
Investment return on syndicate funds:		
Investment income	5.8	1.2
Unrealised gains/(losses) on investments	0.4	(0.3)
Realised gains/(losses) on investments	(0.3)	(0.1)
	<u>5.9</u>	<u>0.8</u>
Investment management expenses and charges	(0.6)	(0.3)
Total investment return	<u>11.8</u>	<u>5.7</u>
Allocation to the technical account based on the longer term rate	(14.8)	(8.7)
Short term fluctuations in investment return retained in the non-technical account	<u>(3.0)</u>	<u>(3.0)</u>

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.

	2004 %	2003 %
Debt securities and other fixed interest securities		
– Sterling	5	5
– Dollar	4	4
Shares and other variable yield securities	4	n/a

The actual return on investment since 1 January 2003 when syndicate 2623 started operating of £17.5m compares to the aggregate longer term return over that period of £23.5m

7. Other income

	Year ended 31 December 2004 £m	Year ended 31 December 2003 £m
Profit commissions	8.7	8.0
Agency fees	2.0	1.9
Other income (including share of profit in associated companies)	0.6	1.3
	<u>11.3</u>	<u>11.2</u>

Included within profit commission recognised in this period is £2.6m (2003: £6.3m) payable to the directors and employees under the terms of the pre-IPO agreement.

8. Other charges

The operating profit is stated after charging:

	Year ended 31 December 2004 £m	Year ended 31 December 2003 £m
Amortisation of goodwill/syndicate capacity	0.4	0.3
Auditors remuneration		
– Company audit fee	0.1	0.1
– Group audit fee	0.1	0.1
– Tax service	0.2	–
– Non-audit service	–	0.2
Other operating leases (group/2623 share)	0.5	0.4
Bank charges	1.2	0.2
Profit commission related bonus payments		
– 2002 year of account	2.6	6.2
– 2003 year of account	4.2	1.1

9. Directors and employees

	Year ended 31 December 2004 £m	Year ended 31 December 2003 £m
Payroll costs (all in payroll, including non-executive directors)		
Wages and salaries	12.8	9.4
Short-term incentive payments	6.6	5.5
Social security	2.4	1.8
Pension costs	2.5	1.2
	<u>24.3</u>	<u>17.9</u>
Recharged to syndicate 623	(8.7)	(7.0)
	<u>15.6</u>	<u>10.9</u>

Amounts relating to directors' emoluments, share options, short-term incentive scheme interests and pension entitlements are set out on page 28 to 36 within the report on directors' remuneration and form part of these settlements.

Notes to the financial statements continued

10. Employee information

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

	Year ended 31 December 2004	Year ended 31 December 2003
Underwriting	62	52
Administrative	98	70
	<u>160</u>	<u>122</u>

11. Taxation on ordinary activities

	Year ended 31 December 2004 £m	Year ended 31 December 2003 £m
UK company tax		
Current tax on income for the year	4.6	1.4
Adjustments in respect of prior periods	(0.5)	–
Total current tax	<u>4.1</u>	<u>1.4</u>
Deferred tax (see note 20)		
Origination and reversal of timing differences	5.8	3.5
Share of associated tax	0.1	0.4
Tax on profit on ordinary activities	<u>10.0</u>	<u>5.3</u>

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	<u>33.4</u>	<u>17.1</u>
Current tax at 30% (2003: 30%)	10.0	5.1
Effects of:		
– Underwriting result	(6.4)	(2.1)
– Expenses not deductible for tax	0.4	0.1
– Profit commission timing difference	0.6	(1.3)
– Associated company share of profits	(0.1)	(0.4)
– Amortisation	0.1	–
Current tax on income for the year	<u>4.6</u>	<u>1.4</u>

12. Dividends paid and proposed

	Year ended 31 December 2004 £m	Year ended 31 December 2003 £m
Interim dividend of 0.3p per share paid (2003: 0.25p)	0.7	0.6
Final dividend of 0.7p per share (2003: 0.5p)	<u>2.5</u>	<u>1.1</u>
Total dividend of 1.0p per share (2003: 0.75p)	<u>3.2</u>	<u>1.7</u>

13. Earnings per ordinary share

	Year ended 31 December 2004	Year ended 31 December 2003
Basic	9.3	5.0
Diluted	9.3	5.0

The calculation of basic earnings per share is based on earnings of £23.4m, being the profit for the year on 251.1 million shares, being the weighted average number of shares in issue during the period.

The diluted earnings per share is based on earnings of £23.4m and on 251.6 million ordinary shares.

The 2003 comparatives have been adjusted to reflect the additional issue of 131.1 million shares on 18 November 2004. Earnings per share in the 2003 annual accounts were:

Basic	5.2p
Diluted	5.2p

14. Intangible fixed assets

	Goodwill £m	Syndicate capacity purchased £m	Total £m
Cost			
1 January 2004	7.0	1.1	8.1
Additions for the year	–	1.0	1.0
At 31 December 2004	7.0	2.1	9.1
Amortisation			
1 January 2004	1.0	–	1.0
Charge for the year	0.3	0.1	0.4
At 31 December 2004	1.3	0.1	1.4
Net book value			
31 December 2004	5.7	2.0	7.7
31 December 2003	6.0	1.1	7.1

Notes to the financial statements continued

15. Investments

	2004		2003	
	Market Value £m	Cost £m	Market Value £m	Cost £m
Group				
Associated undertakings (a)	1.3	–	1.2	–
Shares and other variable yield securities	20.1	19.0	–	–
Debt securities & other fixed interest securities	557.9	559.2	241.0	241.5
	<u>579.3</u>	<u>578.2</u>	<u>242.2</u>	<u>241.5</u>
Of which				
Listed	567.7	567.9	240.5	241.0
Unlisted	11.6	10.3	1.7	0.5
	<u>579.3</u>	<u>578.2</u>	<u>242.2</u>	<u>241.5</u>
Company				
Subsidiary undertakings	5.1	5.1	5.1	5.1
Debt securities & other fixed interest securities	228.3	227.3	131.7	132.2
	<u>233.4</u>	<u>232.4</u>	<u>136.8</u>	<u>137.3</u>
Of which				
Listed	228.3	227.3	131.2	131.7
Unlisted	5.1	5.1	5.6	5.6
	<u>233.4</u>	<u>232.4</u>	<u>136.8</u>	<u>137.3</u>
a. Associated undertakings:				
Brought forward value of subsidiary	1.2	–	5.2	5.0
Share of profit retained by associated undertakings	0.1	–	1.4	–
Tax on share of profits retained by associated undertakings	–	–	(0.4)	–
Netting off of brought forward creditor	–	–	(5.0)	(5.0)
	<u>1.3</u>	<u>–</u>	<u>1.2</u>	<u>–</u>

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 and varies by year of account.

Beazley Dedicated Limited participates in syndicate 623 for all years of account up to 2002. Reflected in these accounts is the result for the 2002 year of account together with the results of Beazley Finance Limited to 31 December 2004.

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 agents
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
Cover Solutions Ltd	England	Ordinary	100%	UK service company
Beazley Corporate Member No.2	England	Ordinary	100%	Dormant
Beazley Corporate Member No.3	England	Ordinary	100%	Dormant
Beazley USA Services Inc.	USA	Ordinary	100%	Insurance services
Beazley Holdings Inc.	USA	Ordinary	100%	Holding company
Beazley Group (USA) General Partnership	USA	n/a	100%	General partnership

During 2001, the group incorporated a corporate member, allocating to it 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%

Funds at Lloyd's to support this company's 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.

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 been consolidated due to the existence of the group's option and quota share agreement with Gerling Global General and Reinsurance Limited.

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:

	2004 £m	2003 £m
Debt securities and other fixed interest securities	227.8	131.2
Letters of credit	2.0	19.5
	229.8	150.7

Collateralised guarantee at Lloyds TSB plc

An amount of £0.5m (31 December 2003: £0.5m) 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.

Notes to the financial statements continued

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

	2004 £m	2003 £m
Group		
Debtors arising out of direct insurance operations	74.8	58.8
Debtors arising out of reinsurance operations	14.2	19.9
	<u>89.0</u>	<u>78.7</u>

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

17. Other debtors

	2004		2003	
	Group £m	Company £m	Group £m	Company £m
Amounts due from group companies	–	44.4	–	7.2
Amounts due from associated undertakings	0.3	–	0.3	–
Other debtors	6.2	0.2	1.3	0.8
	<u>6.5</u>	<u>44.6</u>	<u>1.6</u>	<u>8.0</u>

Included within other debtors is a debtor greater than one year of £0.4m (2003: £0.4m) in respect of loans to employees.

18. Creditors: amounts falling due within one year

	2004		2003	
	Group £m	Company £m	Group £m	Company £m
Corporation tax payable	3.2	0.7	0.4	–
Proposed dividend (note 12)	2.5	2.5	1.1	1.1
Other creditors and social security	11.2	0.7	2.1	1.0
	<u>16.9</u>	<u>3.9</u>	<u>3.6</u>	<u>2.1</u>

19. Technical provisions

	Provision for unearned premium £m	Claims outstanding £m
Gross technical provisions		
At 1 January 2004	155.8	93.4
Exchange adjustments	(7.9)	(10.6)
Reinsurance to close received	–	183.6
Movement in the provision	39.5	184.4
At 31 December 2004	187.4	450.8
Reinsurers' share of technical provisions		
At 1 January 2004	31.0	25.8
Exchange adjustments	(1.6)	(3.0)
Reinsurance to close received	–	88.8
Movement in the provision	4.2	40.6
At 31 December 2004	33.6	152.2
Net technical provisions		
At 31 December 2004	153.8	298.6
At 1 January 2003	124.8	67.6

The group has included within its accounts the reinsurance to close from syndicate 623 at Lloyd's for the 2002 year of account. The assets and liabilities transferred as a result of this transaction were £94.7m representing 50% of the 2002 year of account reserves.

Prior periods' claims provisions

Material over provisions for net claims at the beginning of the period as compared with net payments and provisions at the end of the year in respect of prior periods' claims for continuing business amounted to £7.4m.

Notes to the financial statements continued

20. Provision for other risks and charges

Deferred tax

	2004 £m	2003 £m
Group		
Opening (asset)/liability for deferred tax	3.5	–
Reclassification to current tax	(1.9)	–
Additions during the year	6.4	3.5
Profit commission timing difference	(0.6)	–
Fx differences on deferred tax	(0.2)	–
Closing (asset)/liability for deferred tax	7.2	3.5

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

	Underwriting results £m	Other timing differences £m	Total £m
At 1 January 2004	3.5	–	3.5
Deferred tax charge for the year	6.4	(0.6)	5.8
Reclassification to current tax	(1.4)	(0.5)	(1.9)
Fx differences on deferred tax	(0.2)	–	(0.2)
At 31 December 2004	8.3	(1.1)	7.2

The reclassification of the deferred tax creditor to current tax relates to provision made in 2003 in respect of profit commission and bonuses payable on these. These have since been charged to current tax following the issue of FRS 5 Application Note G by the Accounting Standards Board.

21. Share capital

	2004 Authorised £m	2004 Allotted and called-up £m	2003 Authorised £m	2003 Allotted and called-up £m
450,000,000 ordinary shares of 5p each	22.5	18.0	15.0	11.5

22. Reconciliation of movement in shareholders' funds

	Issued share capital 2004 £m	Share premium account 2004 £m	Merger reserve 2004 £m	Profit and loss account 2004 £m	Total share- holders' funds 2004 £m	Total share- holders' funds 2003 £m
Group						
Balance brought forward	11.5	132.4	1.6	7.9	153.4	144.9
Retained profit for the period	–	–	–	20.2	20.2	10.1
Foreign exchange (loss)	–	–	–	(0.2)	(0.2)	(1.6)
Issue of shares	6.5	–	–	–	6.5	–
Share premium on issue of shares	–	103.6	–	–	103.6	–
Capitalised listing costs	–	(5.5)	–	–	(5.5)	–
Shareholders' funds at end of period	<u>18.0</u>	<u>230.5</u>	<u>1.6</u>	<u>27.9</u>	<u>278.0</u>	<u>153.4</u>
Company						
Balance brought forward	11.5	132.4	–	0.2	144.1	142.8
Retained profit for the period	–	–	–	17.7	17.7	1.3
Issue of shares	6.5	–	–	–	6.5	–
Share premium on issue of shares	–	103.6	–	–	103.6	–
Capitalised listing costs	–	(5.5)	–	–	(5.5)	–
Shareholders' funds at end of period	<u>18.0</u>	<u>230.5</u>	<u>–</u>	<u>17.9</u>	<u>266.4</u>	<u>144.1</u>

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 £20.9m (2003: loss after tax £3m).

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

	Year ended 31 December 2004 £m	Year ended 31 December 2003 £m
Operating profit before tax based on longer term rate of investment return	36.4	20.1
Amortisation of goodwill	0.3	0.3
Short-term fluctuations in investment return	(3.0)	(3.0)
Share of operating profit of associate	(0.1)	(1.4)
(Increase) in debtors	(30.7)	(116.6)
(Increase) in reinsurers share of technical provision	(129.1)	(56.7)
Increase in creditors	15.8	35.5
Increase in technical provisions	388.9	249.2
Effect of foreign exchange rate changes	(0.2)	(1.6)
	<u>278.3</u>	<u>125.8</u>

24. Analysis of net funds

	2004 £m	Cash flow £m	2003 £m
Cash at bank and in hand	68.6	49.2	19.4
Shares and other variable yield securities	20.1	20.1	–
Debt securities and fixed interest investments	<u>557.9</u>	<u>316.9</u>	<u>241.0</u>
	<u>646.6</u>	<u>386.2</u>	<u>260.4</u>

25. Pension commitments (made no changes)

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 2004. 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 6.2% (31 December 2003: 6.3%), the rate of earnings increase used was 4.4% (31 December 2003: 4.3%) and the rate of pension increase used was 2.5% (31 December 2003: 2.3%).

The most recent company accounting valuation showed that the market value of the scheme's assets was £6.6m at 31 December 2004 (31 December 2003: £5.3m) and that the market value of those assets represented 60% (31 December 2003: 71%) 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% of earnings. The pension charge for the period was £0.7m (year to 31 December 2003: £0.7m). 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 2004, 31 December 2003 and 31 December 2002.

The major assumptions used in these valuations were:

	31 December 2004	31 December 2003	31 December 2002
Rate of increase in salaries	4.4%	4.3%	4.0%
Rate of increase in pensions	2.5%	2.3%	2.0%
Discount rate applied to scheme liabilities	5.2%	5.8%	5.5%
Inflation assumption	2.9%	2.3%	2.0%

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 2004	Value at 31 December 2004 £m	Long term rate of return 2003	Value at 31 December 2003 £m	Long term rate of return 2002	Value at 31 December 2002 £m
Equities	6.6%	5.2	6.8%	4.1	6.5%	2.6
Bonds	4.6%	1.4	4.8%	1.1	4.5%	0.7
Cash	2.6%	–	2.8%	0.1	2.5%	0.5
Fair value of assets		6.6		5.3		3.8
Present value of scheme's liabilities		(10.9)		(7.4)		(6.2)
Net pension liability		(4.3)		(2.1)		(2.4)

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 2004 £m	Value at 31 December 2003 £m	Value at 31 December 2002 £m
Deficit in the scheme at the beginning of year	(2.1)	(2.4)	(1.6)
Current service cost	(0.7)	(0.7)	(0.3)
Contributions paid	0.7	0.7	0.5
Past service cost	–	–	–
Other finance income/(cost)	–	(0.1)	–
Actuarial gain/(loss)	(2.2)	0.4	(1.0)
Deficit in the scheme at end of year	(4.3)	(2.1)	(2.4)
Analysis of amounts included in other finance income/(costs):			
Expected return on pension scheme assets	0.4	0.2	0.1
Interest on pension scheme liabilities	(0.4)	(0.3)	(0.1)
	–	(0.1)	–

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

	31 December 2004 £m	31 December 2003 £m	31 December 2002 £m
Actual return less expected return on scheme assets	0.1	0.5	(0.5)
Experience gains arising on scheme liabilities	(0.2)	(0.1)	(0.5)
Changes in assumptions underlying the present value of scheme liabilities	(2.1)	–	–
Actuarial loss recognised in statement of total recognised gains and losses	(2.2)	0.4	(1.0)

From 1 April 2001 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 2004. 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 £1.2m as at 31 December 2004. The assets in relation to this liability of the scheme have remained under management of LSF. The value of the assets has been estimated as £0.5m at 31 December 2004. This shortfall, together with the overall shortfall in the scheme is to be funded over the next three years. The assets of the scheme of £6.6m included the £0.5m but not the funding of £0.7m shortfall, which had not been made at 31 December 2004.

26. Contingent liabilities and financial commitments

At 31 December 2003 Beazley Group plc gave 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 One 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 2004 the company was committed to make rental payments amounting in the aggregate to £1.8m in respect of the remaining 2 year period of tenancy to the first break clause (31 December 2003: £2.7m).

Notes to the financial statements continued

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

	2004		2003	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Group				
Operating leases which expire:				
– Within one year	–	–	–	–
– In the second to fifth years inclusive	0.9	–	0.9	–
– Over five years	–	–	–	–
	<u>0.9</u>	<u>–</u>	<u>0.9</u>	<u>–</u>

The company has no operating lease commitments.

27. 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 page 28.

Notice of annual general meeting

Notice is hereby given that the fifth annual general meeting of Beazley Group plc will be held on Monday 20 June 2005 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 2004.
2. To receive and, if approved, adopt the Financial Statements of the company for the year ended 31 December 2004 and the Reports of the Directors and Auditors thereon.
3. To declare a final dividend on the ordinary shares of the company for the year ended 31 December 2004 of 0.7p per ordinary share.
4. To re-elect N H Furlonge, (executive director, risk management) as a director of the company.
5. To re-elect J G Gray, (executive director, property) as a director of the company.
6. To re-elect N P Maidment, (executive director, reinsurance) as a director of the company.
7. To re-elect J G Rowell, (executive director, specialty lines) as a director of the company.
8. To re-elect J D Sargent (aged 75, non-executive director and a member of the audit, remuneration, nomination and investment 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.
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 £4,450,000 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 conferred 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 £900,000 (representing 4.99% of the issued ordinary share capital);

Notice of annual general meeting continued

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 18 million (representing 4.99% 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.
14. That the Articles of Association of the company be amended by deleting the existing Article 168.1 and substituting therefore the following new Article 168.1:

“168.1 Subject to the provisions of the Act, but without prejudice to any indemnity to which he may be otherwise entitled, every director, alternate director, secretary or other officer of the company shall be entitled to be indemnified out of the assets of the company against all costs, charges, losses, damages and liabilities incurred by him in the actual or purported execution and/or discharge of his duties or exercise of his powers and/or otherwise in relation to or in connection with his duties, powers or office, provided that this Article 168.1 shall be deemed not to provide for, or entitle any such person to, indemnification to the extent that it would cause this Article 168.1, or any element of it, to be treated and void under the Act”.

By order of the board

J P Gorman FCA
Company Secretary
Registered Office:
One Aldgate
London EC3N 1AA
14 March 2005

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 18 June 2005 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 18 June 2005 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.

Registered office and advisers

Registered office

One Aldgate
London
EC3N 1AA

Company Number
4082477

Auditors

KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB

Legal advisers

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Kempson House
Camomile Street
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EC3A 7AN

Financial advisers

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**

20 June 2005

Preliminary interim announcement

7 September 2005

Interim dividend announcement

7 September 2005

Beazley Group plc

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