

Company Number : 3800934

BLAIR UNDERWRITING LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 2000



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Directors	W K Blair V Blair
Company Secretary	CBS Private Capital Limited
Registered Office	Peninsular House 36 Monument Street London EC3R 8LJ
Bankers	Leopold Joseph & Sons Limited 99 Gresham Street London EC2V 7NG
Auditors	Littlejohn Frazer 1 Park Place Canary Wharf London E14 4HJ
Solicitors	Eversheds Senator House 85 Queen Victoria Street London EC4V 4JL
Registered Number	3800934

The Directors have pleasure in presenting their Report together with the Accounts for the year ended 31 December 2000.

Incorporation

The Company was incorporated on 30 June 1999 as Blair Underwriting Limited.

Results and Dividends

The loss for the year before taxation was £84,862 (1999 - loss of £587). The taxation charge was £Nil (1999 - £Nil), leaving a loss after taxation of £84,862 (1999 - loss of £587).

The Directors do not recommend the payment of a dividend.

Review of the Business

The principal activity of the Company in the period under review was that of a corporate underwriting member of Lloyd's. The Company commenced underwriting with effect from 1 January 2000.

The 2000 Underwriting account is due to close at 31 December 2002. Accordingly, the Directors are unable to comment on the open year in detail. However, provision has been made for potential losses estimated by the Members' Agent.

Directors and Directors' Interests

The Directors of the Company in office, during the year, and their interest in its share capital were as follows:

	At 31 December 2000 Ordinary £1 shares	At 1 January 2000 Ordinary £1 shares
Y M Burley (Resigned 31 January 2000)	-	-
W K Blair	500	500

V Blair was appointed a Director on 21 February 2001.

Auditors

The auditors, Littlejohn Frazer, will be proposed for reappointment in accordance with Section 385 of the Companies Act 1985.

By Order of the Board


W K Blair

Director

26 JUNE 2001

To the Members of Blair Underwriting Limited

We have audited the Accounts on pages 5 to 18 which have been prepared under the Accounting Policies set out on pages 9 to 11.

Respective Responsibilities of Directors and Auditors

As described on page 9 the Company's Directors are responsible for the preparation of Accounts. It is our responsibility to form an independent opinion, based on our audit, on those Accounts and to report our opinion to you.

Basis of 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 Accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Accounts, and of whether the Accounting Policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Accounts 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 Accounts.

Opinion

In our opinion the Accounts give a true and fair view of the state of the Company's affairs as at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Littlejohn Frazer

Chartered Accountants
and Registered Auditors

1 Park Place
Canary Wharf
London E14 4HJ

28 June 2001

	Note	2000
Gross Written Premiums	1	2,910,022
Outward reinsurance premiums		(763,465)
Net Written Premiums		2,146,557
Allocated Investment Income	3	11,258
Claims paid	4	(143,510)
Change in provision for claims	5	(1,381,718)
Claims Incurred Net of Reinsurance		(1,525,228)
Net operating expenses	6	(713,256)
Balance Transferred to Non Technical Account		£(80,669)

Underwriting commenced on 1 January 2000 and accordingly no technical account comparatives are presented for the period to 31 December 1999.

The Accounting Policies and Notes on pages 9 to 18 form part of these Accounts.

BLAIR UNDERWRITING LIMITED**PROFIT AND LOSS ACCOUNT**
Year ended 31 December 2000

	Note	2000	1999
Balance Transferred from General Business Technical Account	7	(80,669)	-
Profit from sale of syndicate participations		-	-
Investment income	8	10	-
Other charges		(4,203)	(587)
		<hr/>	<hr/>
Loss on Ordinary Activities before Taxation	9	(84,862)	(587)
Tax on loss on ordinary activities	10	-	-
		<hr/>	<hr/>
Loss for the Financial Year / Period	16	£(84,862)	£(587)
		<hr/>	<hr/>

The Company has no recognised gains or losses other than the loss for the financial year/period above.

The Accounting Policies and Notes on pages 9 to 18 form part of these Accounts.

BLAIR UNDERWRITING LIMITED

BALANCE SHEET
At 31 December 2000

	Note	Assets and liabilities at Lloyd's	Corporate	2000 Total	1999 Total
Assets					
Intangible assets	11	-	15,328	15,328	-
Investments	12	496,024	-	496,024	-
Debtors	13	1,068,254	21,947	1,090,201	2,299
Cash at bank	14	62,362	5,692	68,054	-
Other		26,751	-	26,751	-
Prepayments and accrued income		2,437	-	2,437	-
		<u>£1,655,828</u>	<u>£42,967</u>	<u>£1,698,795</u>	<u>£2,299</u>
Liabilities and Reserves					
Called-up share capital	15	-	500	500	500
Share Premium Account	16	-	798	798	798
Profit and Loss Account	16	(80,669)	(4,780)	(85,449)	(587)
Technical Provisions:					
Provision for outstanding claims	18	1,381,718	-	1,381,718	-
Deferred Taxation	19	-	-	-	-
Creditors	20	350,483	43,629	394,112	1,000
Accruals and deferred income		4,296	2,820	7,116	588
		<u>£1,655,828</u>	<u>£42,967</u>	<u>£1,698,795</u>	<u>£2,299</u>

Approved by the Board on *26 JUNE* 2001.

W K Blair



) Director

The Accounting Policies and Notes on pages 9 to 18 form part of these Accounts.

	Note	2000	1999
Net Cash Inflow/(Outflow) from Operating Activities	22	21,010	(1,298)
Return on Investments and Servicing of Finance			
Interest received		10	-
Net Cash Inflow from Returns of Investments and Servicing of Finance		10	-
Taxation			
Corporation Tax paid		-	-
Capital Expenditure and Financial Investment			
Purchase of syndicate capacity		15,328	-
Proceeds from sale of capacity		-	-
Net Cash Outflow from Capital Expenditure And Financial Investment		(15,328)	-
Net Cash Inflow/(Outflow) before Financing		5,692	(1,298)
Financing			
Issue of ordinary share capital		-	5,000
Expenses paid in connection with share issues		-	(3,702)
Net Cash Inflow from Financing		-	1,298
Increase in Cash	23	£5,692	£-

The Company has no control over the disposition of asset and liabilities at Lloyd's. Consequently, the cash flow statement is prepared reflecting only the movement in corporate funds, which includes transfers to and from the syndicates at Lloyd's.

The Accounting Policies and Notes on pages 9 to 18 form part of these Accounts.

Statement of Directors' Responsibilities

Company law requires the Directors to prepare Accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing those Accounts the Directors are required to:

- select suitable Accounting Policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the Accounts;
- prepare the Accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Accounting Policies selected are set out below.

Accounting Policies

Basis of Accounting

The Accounts are prepared under the historical cost basis of accounting modified to include the revaluation of investments, and comply with applicable Accounting Standards.

The Company participates in insurance business as an underwriting member of various Syndicates at Lloyd's.

The Accounts have been prepared in accordance with Section 255 and Schedule 9A of the Companies Act 1985. Accounting information in respect of the Syndicate participations has been provided by the Syndicate managing agents through an information exchange facility operated by Lloyd's and has been reported upon by the Syndicate auditors.

Assets and liabilities arising as a result of the underwriting activities are mainly controlled by the Syndicates' managing agents and are shown separately on the Balance Sheet as "Assets and Liabilities at Lloyd's".

General Business

i. Premiums

Gross premiums are accounted for in the period in which the risk commences, together with adjustments to premium written in previous accounting periods. Future premiums relating to risks commencing in the period are based upon estimates made by the Syndicates' management. Other adjustments are accounted for as arising.

ii. Claims

Provision is made for the estimated cost of claims outstanding at the end of the year, including those incurred but not reported at that date, and for the related cost of settlement. Claims incurred comprise amounts paid or provided in respect of claims occurring during the current year, together with the amount by which settlement or reassessment of claims from previous years differs from the provision at the beginning of the year.

iii. Underwriting Results

Lloyd's current accounting practice mandates that Syndicates operate a three year fund basis of accounting.

The Company follows this basis to the extent that profits are recognised when declared by the Syndicate for the year of account after 36 months. Losses are recognised as soon as they are foreseeable.

iv. Technical Provision

In accordance with the above practice, the excess of premiums written and syndicate investment income over the claims and syndicate expenses paid in respect of business incepting in an underwriting year is carried forward for two years in a fund and no profit is recognised until the end of the third year following the start of each underwriting year when the underwriting account is normally closed. The fund is included as part of outstanding claims.

v. Closed Years of Account

At the end of the third year, the underwriting account is normally closed by reinsurance into the following year of account. The amount of the reinsurance to close premium payable is determined by the managing agent, generally by estimating the cost of claims notified but not settled at 31 December, together with the estimated cost of claims incurred but not reported at that date, and on estimate of future claims handling costs. Any subsequent variation in the ultimate liabilities of the closed year of account is borne by the underwriting year into which is it reinsured.

The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring syndicate was unable to meet its obligations, and the other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle outstanding claims.

The Directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle liabilities outstanding at the closure of an underwriting account. The company has included its share of the reinsurance to close premiums payable as technical provisions at the end of the current year, and no further provision is made for any potential variation in the ultimate liability of that year of account.

vi. Run-off Years of Account

Where an underwriting year of account is not closed at the end of the third year (a "run-off" year of account) a provision is made for the estimated cost of all known and unknown outstanding liabilities of that year. The provision is determined initially by the managing agent on a similar basis to the reinsurance to close. However, any subsequent variation in the ultimate liabilities for that year remains with the corporate member participating therein.

vii. Investments and Allocated Investment Income

In accordance with Lloyd's current accounting practice, investments are stated at market value, including accrued interest at the Balance Sheet date. Investment income is included in the General Business Technical Account reflecting that earned on the investment portfolio managed by the Syndicates. The allocated investment income therefore comprises income received and investment profits and losses, net of investment expenses and charges arising in the calendar year including appreciation/depreciation and accrued interest consequent upon the revaluation of investments at 31 December. All gains and losses on investments are treated as realised at the Balance Sheet date.

viii. Basis of Currency Translation

Syndicates maintain separate funds in sterling, United States and Canadian dollars, and may also do so in certain other currencies. All transactions where separate currencies are maintained are translated into sterling at the rates of exchange ruling at the Balance Sheet date. Transactions during the year in other overseas currencies are expressed in sterling at the rates ruling at the transaction date.

ix. Debtors/Creditors arising from insurance/reinsurance operations

The amounts shown in notes 13 and 20 include the totals of all the Syndicates outstanding debit and credit transactions as processed by the Lloyd's Policy Signing Office; no account has been taken of any offsets which may be applicable in calculating the net amounts due between the Syndicates and each of their counterparty insureds, reinsurers or intermediaries as appropriate.

Deferred Taxation

Deferred Taxation is provided at anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the Accounts. Provision is made to the extent that it is likely that a liability will crystallise in the foreseeable future.

Cash Flow Statement

The Company has no control over the disposition of assets and liabilities at Lloyd's. Consequently, the cash flow statement is prepared reflecting only the movement in corporate funds, which includes transfers to and from the syndicates at Lloyd's.

Intangible Assets

The Company acquired the rights to syndicate capacity of £2,659,666 from Mr W K Blair for the 2000 Underwriting Account. The cost of acquiring this capacity is determined by a 'participation agreement' and is dependent upon the Company's future results and the future value and disposals of this capacity. Other than £4,216 from the disposal of capacity within Note 11 during 2000, it is not possible to reliably estimate the amount of any future liability to Mr Blair as a result of this agreement. Based upon the view of the Director that the net effect to the Company is unlikely to be material, accordingly, no provision has been made for such liability and no value has been reflected in these Accounts in relation to the remaining assets concerned.

1. Class of Business

2000	Gross written premiums	Gross claims incurred	Operating expenses	Reinsurance balance
Direct				
Marine, aviation and transport	360,702	(312,877)	(86,957)	(31,534)
Fire and other property damage	528,596	(355,255)	(137,883)	(30,752)
Third party liability	688,088	(453,086)	(178,131)	(40,666)
Others	493,616	(358,283)	(138,199)	3,140
Reinsurance	839,020	(463,647)	(172,086)	(165,064)
	<u>£2,910,022</u>	<u>£(1,943,148)</u>	<u>£(713,256)</u>	<u>£(264,876)</u>

The above analysis excludes £80,669 of open year loss provisions whose analysis will not be known until the year closes.

2. Geographical Analysis

	Direct gross premium written
	2000
United Kingdom	1,866,734
Other EU Member States	20,414
Rest of the World	183,154
	<u>£2,070,302</u>

3. Allocated Investment Income

Investment income	10,257
Realised (losses)/ gain on investments	2,369
Investment expenses and charges	(1,368)
	<u>£11,258</u>

4. Claims Paid

Gross amount	166,641
Reinsurers' share	(23,131)
	<u>£143,510</u>

5. Change in the Provisions for Claims

2000

Gross amount	1,776,507
Reinsurers' share	(475,458)
Provision for open year losses	80,669
	<hr/>
	£1,381,718
	<hr/>

6. Net Operating Expenses

Acquisition costs	534,952
Administrative expenses	178,454
(Profit)/loss on exchange	(150)
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	£713,256
	<hr/>

7. Transfer from Technical Account

2000
Underwriting
Accounts

Profit/(loss) for the year	(80,669)
	<hr/>
	£(80,669)
	<hr/>

8. Investment Income

2000 1999

Bank interest receivable	£10	£ -
	<hr/>	<hr/>

9. Loss on Ordinary Activities before Taxation

This is stated after charging:

Auditors' remuneration - audit	£ 600	£ 250
- other	£1,300	£ 250
Directors' remuneration	£ -	£ -
	<hr/>	<hr/>

The Company has no employees.

10. Taxation

Corporation Tax at 20%	-	-
Deferred Tax at 20%	-	-
	<hr/>	<hr/>
	£ -	£ -
	<hr/>	<hr/>

11. Intangible Assets

Cost

Auction
capacity

At 1 January 2000

Additions

Disposal of capacity acquired under a 'participation agreement'

At 31 December 2000

Amortisation

At 1 January 2000

Charge for the year

Disposals

At 31 December 2000

Net Book Value

As at 31 December 2000

As at 31 December 1999

12. Investments

At market value

Assets
and
liabilities
at Lloyd's

Corporate

2000
Total1999
Total

Shares and other variable yield securities

Debt securities and other fixed income
securities

Deposits with credit institutions

Other

Listed investments included within the above

At cost

Shares and other variable yield securities

Debt securities and other fixed income
securities

Deposits with credit institutions

Other

13. Debtors

	Assets and liabilities at Lloyd's	Corporate	2000 Total	1999 Total
Arising out of direct insurance operations:				
Policy holders	5,957	-	5,957	-
Intermediaries	699,031	-	699,031	-
Arising out of reinsurance operations	290,628	-	290,628	-
Other	72,638	21,947	94,585	2,299
	<u>£1,068,254</u>	<u>£21,947</u>	<u>£1,090,201</u>	<u>£2,299</u>

Corporate other debtors represent cash calls paid to Lloyd's syndicates. This amount will be recoverable when the year of account on whose behalf the call was made is closed at a profit, or will be treated as a payment on account if the year is closed at a loss. In any event the amount is not recoverable within one year.

14. Cash at Bank and in Hand

	Assets and liabilities at Lloyd's	Corporate	2000 Total	1999 Total
Lloyd's deposit	-	4,313	4,313	-
Cash at bank and in hand	62,362	1,379	63,741	-
	<u>£62,362</u>	<u>£5,692</u>	<u>£68,054</u>	<u>£-</u>

The Lloyd's deposit represents funds deposited with the Corporation of Lloyd's (Lloyd's) to support the Company's underwriting activities as described in the Accounting Policies. The Company has entered into a legal agreement with Lloyd's which gives the Corporation the right to apply these funds in settlement of any claims arising from the Company's participation on Lloyd's Syndicates. These funds can only be released from the provision of this deed with Lloyd's express permission and only in circumstances where the amounts are either replaced by an equivalent asset or after the expiration of the Company's liabilities in respect of its underwriting.

15. Called-up Share Capital

	2000	2000	1999	1999
	Authorised	Allotted, called-up and fully paid	Authorised	Allotted, called-up and fully paid
Ordinary shares of £1 each	£100,000	£500	£100,000	£500
	<u>£100,000</u>	<u>£500</u>	<u>£100,000</u>	<u>£500</u>

16. Reserves

	Share Premium Account 2000	Profit and Loss Account 2000	Share Premium Account 1999	Profit and Loss Account 1999
Balance at 1 January	798	(587)	-	-
Share issue	-	-	4,500	-
Retained loss for the year	-	(84,862)	-	(587)
Formation expenses	-	-	(3,702)	-
	<u>£798</u>	<u>£(85,449)</u>	<u>£798</u>	<u>£(587)</u>
Balance at 31 December	£798	£(85,449)	£798	£(587)

17. Reconciliation of Movements in Shareholders' Funds

	2000	1999
Loss for the financial year/period	(84,862)	(587)
New share capital subscribed	-	500
Share premium on new share capital	-	4,500
Formation expenses	-	(3,702)
	<u>(84,862)</u>	<u>711</u>
Opening shareholders funds	711	-
	<u>711</u>	<u>-</u>
Closing shareholders funds	£(84,151)	£711
	<u>£(84,151)</u>	<u>£711</u>

18. Provision for Outstanding Claims

	Assets and liabilities at Lloyd's	Corporate	2000 Total	1999 Total
Gross claims	1,621,707	-	1,621,707	-
Reinsurers' share	(320,658)	-	(320,658)	-
Provision for open year losses	80,669	-	80,669	-
	<u>1,381,718</u>	<u>£ -</u>	<u>£1,381,718</u>	<u>£ -</u>

19. Deferred Taxation

	2000	2000	1999	1999
	Provision	Potential liability/ (asset)	Provision	Potential liability/ (asset)
Short-term timing differences	£ -	£ -	£ -	£ -
	<u>£ -</u>	<u>£ -</u>	<u>£ -</u>	<u>£ -</u>

20 Creditors

	Assets and liabilities at Lloyd's	Corporate	2000 Total	1999 Total
Arising out of direct insurance	108,781	-	108,781	-
Arising out of reinsurance operations	184,845	-	184,845	-
Other creditors	56,857	43,629	100,486	1,000
	<u>£350,483</u>	<u>£43,629</u>	<u>£394,112</u>	<u>£1,000</u>

21. Contingent Liabilities

- i. As explained in the Accounting Policies on page 9 with effect from 1 January 2000, the Company participates on insurance business written by Lloyd's Syndicates. As a result of this participation, the Company is exposed to claims arising on insurance business written by those Syndicates.

The net results of the Company's participation on those Syndicates for any underwriting year will not be calculated until the 3rd anniversary of the commencement of that underwriting year at the earliest.

- ii. As explained in the Intangible Assets Accounting Policy on page 11, the Company has acquired the rights to syndicate capacity of £2,659,666 for the 2000 Underwriting Account. The cost of acquiring this capacity is determined by a 'participation agreement' and is dependent upon the Company's future results and future value and disposals of this capacity. It is not possible to reliably estimate the amount of any future liability that may arise under this agreement. Accordingly, no provision has been made for such liability in these Accounts.

22. Reconciliation of Operating Loss to Net Cash Inflow from Operating Activities

	2000	1999
Operating loss before interest	(84,872)	(587)
Provision for open year loss	80,669	-
Increase in creditors	44,861	1,588
Increase in debtors	(19,648)	(2,299)
	<hr/>	<hr/>
Net cash inflow/(outflow) from Operating Activities	£21,010	£(1,298)
	<hr/>	<hr/>

23. Reconciliation of Net Cash Flow to Movement in Net Funds

Increase in cash in the period	5,692	
	<hr/>	<hr/>
Net funds at 31 December 2000	£5,692	
	<hr/>	<hr/>

An analysis of the Company's net funds is given in Note 14.

24. Funds at Lloyd's

Funds at Lloyd's are those funds which are held under the terms of the Lloyd's Deposit Trust Deed as described in the Note 14.

In addition to these amounts, the shareholders of the Company have also made available to Lloyd's assets amounting to approximately £1,272,000 at the balance sheet date which are also used by the Company to support its Lloyd's underwriting. The funds are also available to Lloyd's to meet the personal underwriting liabilities of the shareholders for underwriting years commencing prior to 1 January 2000.

25. Syndicates

The Company is or was an Underwriting Member of the following Syndicates

Syndicate No.	Managing Agent	2001 Allocated capacity	2000 Allocated capacity
33	Hiscox Syndicates Limited	188,760	188,760
205	Jago Managing Agency Limited	-	120,000
218	Cox Syndicate Management Limited	144,271	115,417
260	KGM Underwriting Agencies Limited	90,000	60,000
340	St Paul Syndicate Management Limited	63,974	71,970
386	Limit Underwriting Limited	200,000	156,750
435	D P Mann Limited	200,000	165,000
557	R J Kiln & Co Limited	60,000	47,491
566	Limit Underwriting Limited	-	100,000
570	Atrium Underwriters Limited	150,622	113,250
588	XL Brockbank Limited	200,000	200,000
609	Atrium Underwriters Limited	165,000	165,000
623	Beazley Furlonge Limited	115,000	49,554
780	B F Caudle Agencies Limited	88,235	75,000
861	XL Brockbank Limited	100,000	100,000
958	Omega Underwriting Agents Limited	70,500	60,000
1003	Catlin Underwriting Agencies Limited	115,000	100,000
1007	SVB Syndicates Limited	75,000	75,000
1084	Chaucer Syndicates Limited	75,000	57,907
2010	Cathedral Underwriting Limited	40,000	-
2020	Wellington Underwriting Limited	399,656	343,702
2488	ACE London Underwriting Limited	235,455	194,865
2525	Abacus Syndicates Limited	156,250	100,000
		<hr/>	<hr/>
		£2,932,723	£2,659,666
		<hr/>	<hr/>

26. Related Party Transactions

During 1999, the Company acquired syndicate participation rights of £2,659,666 of allocated capacity from Mr W K Blair under a 'participation agreement'. Mr Blair is a Director and shareholder of the Company. The consideration for this transfer was the right of Mr Blair to receive certain amounts dependent upon the Company's future results and the future disposal and value of the capacity acquired. During the year, £4,216 became due to Mr Blair under this agreement. No further liability has been recognised for future amounts that may become due to Mr Blair, as no reliable estimate is possible. Similarly, no additional value has been attributed to the related intangible asset of the capacity acquired (See note 11).

During the year, Mr Blair provided funds of £38,413 (1999 - £1,000) to the Company to meet expenses.

Included within creditors at 31 December 2000 is £43,629 (1999 - £1,000) which is due to Mr Blair. Amounts due in respect of participation rights described above are due on the 31 December in the year in which sale or assignment of the relevant syndicate capacity occurred. Accordingly, no interest is chargeable on the amount outstanding. Interest on late payment of amounts due in respect of participation rights is charged at an annual rate of 4% above the base rate of Barclays Bank plc.