Company registration number: 3440586

Nameco (No. 126) Limited

Report and financial statements
31 December 2005

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Nameco (No. 126) Limited

Company information

Directors	J R H Evans Nomina plc
Company Secretary	Hampden Legal PLC
Registered Office	85, Gracechurch Street London EC3V OAA
Auditors	CLB Littlejohn Frazer Chartered Accountants and Registered Auditors 1 Park Place Canary Wharf London E14 4HJ
Accountants	Axiom Consulting Limited Lloyds Chambers 1 Portsoken Street London E1 8DF
Solicitors	Jones Day 21, Tudor Street London EC4Y ODJ

Report of the Directors

The Directors submit their report together with the Financial Statements of the company for the year ended 31 December 2005.

Change in Reporting Basis

The underwriting results of the syndicates on which the Company participates have been determined on the annual basis of accounting, as required by statutory Instrument 3219 of the 2004 Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004 ("the 2004 Regulations").

This represents a fundamental change in reporting basis. Previously, results were not determined until the normal date of closure of each of the year of account at the end of the third year.

In addition, following the introduction of Financial Reporting Standard Number 21, "Events after the Balance Sheet date", dividends to ordinary shareholders are included in the Financial Statements when they have been declared and approved for payment.

These changes in accounting policies have been treated as a prior year adjustment in these Financial Statements; further details have been provided in Note 1 to the Financial Statements.

Principal Activities and Business Review

The principal activity of the Company is that of trading as a Lloyd's corporate capital member. The Company continues to trade in 2006 and the Directors expect this year's result to be better than years currently being reported.

The Financial Statements incorporate the annual accounting results of the syndicates on which the Company participates for the 2003, 2004 and 2005 years of account, as well as any 2002 and prior run-off years.

The 2003 year closed at 31 December 2005 with a result of £71,763 (2002 - £37,863). The 2004 and 2005 open underwriting account will normally close at 31 December 2006 and 2007.

Certain syndicates on which the Company participates have for a variety of reasons been unable to close. There is a greater than usual degree of uncertainty as to the eventual outcome of these accounts.

Results and Dividends

The results for the year are set out on pages 6 to 7 of the Financial Statements. Dividends totalling £- were paid in the year (2004 £-).

Nameco (No. 126) Limited

Report of the Directors (continued)

Directors and Directors' Interests

The Directors who served at any time during the year and their interests in the share capital of the company were as follows:

	At 31 December 2005 Ordinary £1 shares	At 1 January 2005 Ordinary £1 shares
J R H Evans	-	-
Nomina plc	1	1

Nomina plc holds the above share as trustee for E I M Hilleary.

Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been applied
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for ensuring that the Report of the Directors is prepared in accordance with company law in the United Kingdom.

Auditors

Since the previous Financial Statements, the auditors, Littlejohn Frazer, have changed their name to CLB Littlejohn Frazer. A resolution to reappoint CLB Littlejohn Frazer will be proposed at the next Annual General Meeting.

By Order of the Board



Hampden Legal PLC
Secretary

15th August 2006

Nameco (No. 126) Limited

Independent Auditors' report

Independent Auditor's report to the shareholders of Nameco (No. 126) Limited

We have audited the Financial Statements of Nameco (No. 126) Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Accounting Policies and the related notes 1 to 21. These Financial Statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the Company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As described by the Statement of Directors' Responsibilities, the Company's Directors are responsible for the preparation of the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors 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 other transactions is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Financial Statements, and of whether the Accounting Policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

Independent Auditors' report (continued)

Opinion

In our opinion the Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

CLB Littlejohn

CLB Littlejohn Frazer

Chartered Accountants
and Registered Auditors

1 Park Place
Canary Wharf
London E14 4HJ

17th August 2006

Profit and loss account
Technical account – general business
For the year ended 31 December 2005

	Note		2005		2004 Restated
			£		£
Premiums Written					
Gross premiums written	2		2,434		346,224
Outward reinsurance premiums			(6,644)		(55,368)
Net Premiums Written			(4,210)		290,856
Change in the provision for Unearned premiums					
Gross Provision			148,462		19,369
Reinsurers' share			(15,158)		(11,443)
Earned Premiums, Net of Reinsurance			129,094		298,782
Allocated Investment Return Transferred from the Non-Technical Account			18,465		15,478
Claims Paid					
Gross Amount		(199,321)		(206,913)	
Reinsurers' share		62,545		69,057	
Net claims paid		(136,776)		(137,856)	
Change in Provision for Claims					
Gross amount		88,151		(48,285)	
Reinsurers' share		(24,733)		(2,742)	
Change in net provision for claims		63,418		(51,027)	
Claims Incurred, Net of Reinsurance			(73,358)		(188,883)
Changes in other technical provisions, net of reinsurance			-		-
Net operating expenses	4		(44,642)		(105,017)
Other technical charges, net of reinsurance			-		-
Balance on the Technical Account for General Business			29,559		20,360

The accounting policies and notes on pages 11 to 26 form part of these Financial Statements.

Nameco (No. 126) Limited

Profit and loss account
Non - technical account
For the year ended 31 December 2005

	Note	2005	2004 Restated
		£	£
Balance on Technical Account for General Business		29,559	20,360
Investment income	5	19,529	16,096
Unrealised gains on investments		2,838	3,241
Investment expenses and charges	6	(384)	(446)
Unrealised losses on investments		(3,902)	(3,859)
Allocated investment return transferred to the general business technical account		(18,465)	(15,478)
Other income		-	10,813
Other charges		(4,381)	(7,676)
Profit/(loss) on ordinary activities before taxation	7	24,794	23,051
Tax on profit/(loss) on ordinary activities	8	(5)	(1,114)
Profit/(loss) for the financial year		24,789	21,937
Dividends	9	-	-
Retained profit/(loss) for the financial year	15	24,789	21,937

All amounts relate to continuing operations.

The accounting policies and notes on pages 11 to 26 form part of these Financial Statements.

Nameco (No. 126) Limited

Balance sheet
As at 31 December 2005

	Note	31 December 2005 Syndicate Participation £	Corporate £	Total £	31 December 2004 As Restated Syndicate Participation £	Corporate £	Total £
Assets							
Intangible assets	10	-	-	-	-	-	-
Investments							
Financial investments	11	403,602	423	404,025	440,506	282	440,788
Deposits with ceding undertakings		205	-	205	359	-	359
		403,807	423	404,230	440,865	282	441,147
Reinsurers' share of technical provisions							
Provision for unearned premiums		1,185	-	1,185	15,946	-	15,946
Claims outstanding		192,028	-	192,028	220,218	-	220,218
Other technical provisions		-	-	-	(14)	-	(14)
		193,213	-	193,213	236,150	-	236,150
Debtors							
Arising out of direct insurance operations	12	21,980	-	21,980	99,698	-	99,698
Arising out of reinsurance operations	12	36,255	-	36,255	61,551	-	61,551
Other debtors	13	33,561	9,930	43,491	52,795	18,975	71,770
		91,796	9,930	101,726	214,044	18,975	233,019
Other assets							
Cash at bank and in hand		50,917	27	50,944	78,684	3	78,687
Other		40,439	-	40,439	42,196	-	42,196
		91,356	27	91,383	120,880	3	120,883
Prepayments and accrued income							
Accrued interest		1,484	-	1,484	2,341	-	2,341
Deferred acquisitions costs		3,582	-	3,582	35,474	-	35,474
Other prepayments and accrued income		428	-	428	1,128	-	1,128
		5,494	-	5,494	38,943	-	38,943
Total assets		785,666	10,380	796,046	1,050,882	19,260	1,070,142

The accounting policies and notes on pages 11 to 26 form part of these Financial Statements.

Nameco (No. 126) Limited

Balance sheet
As at 31 December 2005

	Note	31 December 2005 Syndicate Participation £	Corporate £	Total £	31 December 2004 As Restated Syndicate Participation £	Corporate £	Total £
Liabilities and shareholders' funds							
Capital and reserves							
Called up share capital	14	-	1	1	-	1	1
Share premium account		-	-	-	-	-	-
Profit and loss account	15	80,261	(231,219)	(150,958)	78,584	(254,331)	(175,747)
Shareholders' funds – attributable to equity interests	16	80,261	(231,218)	(150,957)	78,584	(254,330)	(175,746)
Technical provisions							
Provision for unearned premiums		13,765	-	13,765	161,077	-	161,077
Claims outstanding – gross amount		655,119	-	655,119	741,960	-	741,960
Other technical provisions		-	-	-	-	-	-
Provisions for other risks and charges							
Deferred taxation	17	-	-	-	-	-	-
Other		-	-	-	-	-	-
Deposit received from reinsurers		1,799	-	1,799	1,604	-	1,604
Creditors							
Arising out of direct insurance operations		6,846	-	6,846	10,040	-	10,040
Arising out of reinsurance operations		15,508	-	15,508	34,566	-	34,566
Amounts owed to credit Institutions		132	-	132	12	-	12
Other creditors including taxation and social security	18	34,593	218,126	252,719	41,487	252,672	294,159
		727,762	218,126	945,888	990,746	252,672	1,243,418
Accruals and deferred income		(22,357)	23,472	1,115	(18,448)	20,918	2,470
Total liabilities		785,666	10,380	796,046	1,050,882	19,260	1,070,142

Approved by the Board of Directors on 15th August 2006
and signed on its behalf by:

Nomina plc
Director

The accounting policies and notes on pages 11 to 26 form part of these Financial Statements.

Nameco (No. 126) Limited

Cash flow statement
For the year ended 31 December 2005

	Note	2005 £	2004 £
Operating activities			
Net cash inflow/(outflow) from operating activities	19	29	(13,895)
Returns on investments		-	-
Capital expenditure			
Purchase of syndicate capacity		-	-
Proceeds from sale of syndicate capacity		-	15,291
Taxation			
Corporation tax (paid) refunded		(5)	(1,114)
Financing			
Issue of shares		-	-
Share issue expenses		-	-
Net cash inflow/(outflow) for the year		24	282
Cash flows were invested as follows:			
Increase/(decrease) in cash holdings		24	-
Purchase of financial investments		-	282
Sale of financial investments		-	-
Net investment of cash flows		24	282

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.

The accounting policies and notes on pages 11 to 26 form part of these Financial Statements.

Nameco (No. 126) Limited

Accounting Policies
For the year ended 31 December 2005

Basis of Preparation

The Financial Statements 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 Financial Statements have been prepared in accordance with Section 255 of, and Schedule 9A of the Companies Act 1985 and the recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 2005.

Accounting information in respect of the Syndicate participations has been provided by the Syndicate's managing agent and has been reported upon by the Syndicate auditors.

Change in Reporting Basis and Basis of Accounting

The Financial Statements for the year ended 31 December 2004 were prepared using the fund basis of accounting. Under the fund basis of accounting, premiums, claims and expenses are carried forward as a fund within the technical provision for outstanding claims and profit recognition is deferred until the end of the third year when the year of account is closed by reinsurance or goes into run-off. No accrual was made on open years for income or expenses that were incurred but had not settled except for underwriting losses, which were recognised immediately.

For the year ended 31 December 2005, the annual basis of accounting has been adopted. Under the annual basis of accounting a result is determined at the end of each accounting period reflecting the profit or loss from providing insurance coverage during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

This change in the basis of accounting results in changes to the accounting policies for claims and syndicate participations, and new accounting policies for unearned premiums provision, deferred acquisition costs, unexpired risks and other technical provisions. The effect of these changes on the reported results of the company is detailed in Note 1.

Amounts reported in the general business technical account relate to movements in the period in respect of all relevant years of account of the Syndicates on which the Company participates.

In addition, the adoption of FRS21 "Events after the Balance Sheet date" has resulted in a different treatment for equity dividends. The effect of the change in accounting policy to adopt FRS21 is to recognise equity dividends when they have been declared and approved for payment.

Assets and liabilities arising as a result of the underwriting activities are mainly controlled by the Syndicates' managing agents. Accordingly, these assets and liabilities have been shown separately in the balance sheet as "Syndicate Participation". Other assets and liabilities are shown as "Corporate". The syndicate assets are held subject to trust deeds for the benefit of the Syndicates' insurance creditors.

Accounting Policies
For the year ended 31 December 2005

General Business

i. **Premiums**

Premiums written comprise the total premiums receivable in respect of business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the syndicates on which the Company participates, less an allowance for cancellations. All premiums are shown gross of commission payable to intermediaries and exclude taxes and duties levied on them.

ii. **Unearned Premiums**

Written premium is earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis having regard where appropriate, to the incidence of risk. The specific basis adopted by each syndicate is determined by the relevant managing agent.

iii. **Deferred Acquisition Costs**

Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned.

iv. **Reinsurance Premiums**

Reinsurance premium costs are allocated by the Managing Agent of each syndicate to reflect the protection arranged in respect of the business written and earned.

v. **Claims Incurred and Reinsurers' Share**

Claims incurred comprise claims and settlement expenses (both internal and external) occurring in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and settlement expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

The provision for claims outstanding comprises amounts set aside for claims notified and claims incurred but not yet reported (IBNR). The amount included in respect of IBNR is based on statistical techniques of estimation applied by each syndicate's in house reserving team and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to each syndicate's 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. Each syndicate uses a number of statistical techniques to assist in making these estimates.

Accordingly the two most critical assumptions made by each syndicates managing agent as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used including pricing models for recent business are reasonable indicators of the likely level of ultimate claims to be incurred.

The level of uncertainty with regard to the estimations within these provisions generally decreases with time since the underlying contracts were exposed to new risks. In addition the nature of short tail claims such as property where claims are typically notified and settled within a short period of time will normally have less uncertainty after a few years than long tail risks such as some liability business where it may be several years before claims are fully advised and settled. In addition to these factors if there are disputes regarding coverage under policies or changes in the relevant law regarding a claim this may increase the uncertainty in the estimation of the outcomes.

The assessment of these provisions is usually the most subjective aspect of an insurer's accounts and may result in greater uncertainty within an insurer's accounts than within those of many other businesses. The provisions for gross claims and related reinsurance recoveries have been assessed on the basis of the information currently available to the directors of each syndicate's managing agent. However, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The provisions are not discounted for the investment earnings that may be expected to arise in the future on the funds retained to meet the future liabilities. The methods used, and the estimates made, are reviewed regularly.

vi. **Unexpired Risks Provision**

Provisions for unexpired risks are made where the costs of outstanding claims, related expenses and deferred acquisition costs are expected to exceed the unearned premium provision carried forward at the balance sheet date. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together, after taking into account relevant investment return. The provision is made on a syndicate by syndicate basis by the relevant managing agent.

vii. **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 an 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 it is 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 the 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 period, and no further provision is made for any potential variation in the ultimate liability of that year of account.

viii. **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. As a result any run-off year will continue to report movements in its results after the third year until such time as it secures a reinsurance to close.

ix. **Net Operating Expenses (including Acquisition Costs)**

Net operating costs include acquisition costs, profit and loss on exchange and other amounts incurred by the syndicates on which the Company participates.

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

x. **Distribution of Profits and Collection of Losses**

Lloyd's operates a detailed set of regulations regarding solvency and the distribution of profits and payment of losses between syndicates and their members. Lloyd's continues to require membership of syndicates to be on an underwriting year of account basis and profits and losses belong to members according to their membership of a year of account. Normally profits and losses are transferred between the syndicate and members after results for a year of account are finalised after 36 months. This period may be extended if a year of account goes into run-off. The syndicate may make earlier on account distributions or cash calls according to the cash flow of a particular year of account and subject to Lloyd's requirements.

xi. **Investments**

Investments are stated at current value, including accrued interest at the Balance Sheet date.

xii. **Investment Return**

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

Realised and unrealised gains and losses are measured by reference to the original cost of the investment if purchased in the year, or if held at the beginning of the year by reference to the current value at that date.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting the underwriting business.

xiii. **Basis of Currency Translation**

Syndicates maintain separate funds in Sterling, United States dollars, Canadian dollars and Euros.

Income and expenditure in US dollars, Canadian dollars and Euros is translated at the average rate of exchange for the year. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

Assets and liabilities are translated into Sterling at the rates of exchange at the Balance Sheet date.

Differences arising on translation of foreign currency amounts in syndicates are included in the technical account.

xiv. **Debtors/Creditors arising from insurance/reinsurance operations**

The amounts shown in the Balance Sheet include the totals of all the Syndicates outstanding debit and credit transactions as processed by the Lloyd's central facility; 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.

Accounting Policies
For the year ended 31 December 2005

Taxation

The company is taxed on its results including its share of underwriting results declared by the syndicates and these are deemed to accrue evenly over the calendar year in which they are declared. The syndicate results included in these Financial Statements are only declared for tax purposes in the calendar year following the normal closure of the year of account. No provision is made for corporation tax in relation to open years of account. However, full provision is made for deferred tax on underwriting results not subject to current corporation tax.

The Inland Revenue agrees the taxable results of the syndicates at a syndicate level on the basis of computations submitted by the managing agent. At the date of the approval of these Financial Statements the syndicate taxable results of years of account closed at this and at previous year ends may not have been fully agreed with the Inland Revenue. Any adjustments that may be necessary to the tax provisions established by the Company, as a result of Inland Revenue agreement of syndicate results, will be reflected in the Financial Statements of subsequent periods.

Deferred Taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax assets and liabilities have not been discounted.

Intangible Assets

Costs incurred by the Company in the Corporation of Lloyd's auctions in order to acquire rights to participate on Syndicates' underwriting years are included within intangible fixed assets and amortised over a 5 year period beginning in the year following the purchase of the Syndicate participation.

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 Syndicates at Lloyd's.

Notes to the Financial Statements
For the year ended 31 December 2005

1. Change in Reporting Basis

As described in the Accounting Policies, "Change in Reporting Basis and Basis of Accounting", the basis of accounting has been changed from the fund basis to the annual basis resulting in changes to a number of accounting policies and equity dividends are only included in the financial statements when they have been declared and approved for payment by the shareholders.

The principal difference between the annual accounting basis and the fund basis concerns the timing of the recognition of underwriting results of a particular year of account. Prior period amounts have been restated to reflect these changes in accounting policies. The effect of the change from the fund basis to the annual basis of accounting is shown in the following table:

	31 December 2004		
	Previously recognised	**Adjustment to new reporting basis**	**Restated on an Annual accounting basis**
	£	**£**	**£**
Recognition of 2004 year of account underwriting	-	(1,241)	(1,241)
Recognition of 2003 year of account underwriting	-	48,332	48,332
Recognition of 2002 and prior years of account underwriting	28,701	2,792	31,493
	28,701	49,883	78,584
Deferred taxation	9,996	(9,996)	-
	38,697	39,887	78,584

Under the annual basis of accounting premiums, including future premiums, are recognised on an earned basis. Previously premiums were accounted for in the period in which the risk commences, together with adjustments to premiums written in previous accounting periods.

Under the annual basis of accounting claims are provided for on the basis of premiums earned up to the balance sheet date with an additional provision where appropriate for unexpired risks. Previously, no profit was recognised until the end of the third year of a particular year of account and losses were recognised as soon as they were foreseeable. 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 was carried forward for two years in a fund as part of outstanding claims.

Under the annual basis of accounting expenses are accounted for on an accruals basis. In addition, acquisition costs are deferred to the extent that they relate to unearned premiums. Previously expenses were included on a provisional basis and were not finalised until the year of account closed. Any internal acquisition costs were written off as incurred.

The effect of the change in the recognition of equity dividends and the overall effect on the Company's reserves is shown in Note 15.

Notes to the Financial Statements
For the year ended 31 December 2005

2. Class of Business

2005	Gross written premiums £	Gross Premiums Earned £	Gross claims incurred £	Net Operating expenses £	Reinsurance balance £	Total £
Direct Insurance						
Accident and health	673	3,954	(4,862)	(1,716)	(906)	(3,530)
Motor – third party liability	(628)	653	(1,019)	(468)	(326)	(1,160)
Motor – other classes	(909)	13,923	(7,722)	(4,270)	983	2,914
Marine, aviation and transport	2,574	11,639	(11,380)	(3,238)	2,867	(112)
Fire and other damage to property	(4,297)	34,699	(18,393)	(9,833)	3,147	9,620
Third party liability	1,480	47,948	(25,855)	(13,506)	(2,957)	5,630
Credit and suretyship	(370)	4,113	(10,246)	(1,677)	1,224	(6,586)
Legal expenses	59	112	(1,360)	(215)	96	(1,367)
Assistance	-	-	-	-	(151)	(151)
Miscellaneous	69	673	(400)	140	(13)	400
	(1,349)	117,714	(81,237)	(34,783)	3,964	5,658
Reinsurance	3,783	33,182	(29,933)	(9,859)	12,046	5,436
Total	2,434	150,896	(111,170)	(44,642)	16,010	11,094

2004 (Restated)						
Direct Insurance						
Accident and health	7,243	9,076	(7,073)	(3,506)	147	(1,356)
Motor – third party liability	3,213	3,273	(2,678)	(1,300)	774	69
Motor – other classes	30,476	32,330	(23,302)	(9,024)	1,079	1,083
Marine, aviation and transport	22,741	23,922	(13,981)	(6,838)	(2,437)	666
Fire and other damage to property	69,012	67,796	(43,856)	(22,546)	(1,121)	273
Third party liability	105,888	122,403	(87,681)	(35,661)	1,307	368
Credit and suretyship	3,877	3,181	(4,789)	(1,196)	666	(2,138)
Legal expenses	57	191	(659)	(86)	416	(138)
Assistance	-	-	-	-	-	-
Miscellaneous	2,723	3,839	(1,189)	(1,030)	(232)	1,388
	245,230	266,011	(185,208)	(81,187)	599	215
Reinsurance	100,994	99,582	(69,990)	(23,830)	(1,095)	4,667
Total	346,224	365,593	(255,198)	(105,017)	(496)	4,882

Notes to the Financial Statements
For the year ended 31 December 2005

3. Geographical Analysis

	2005	2004 Restated
	£	£
Direct Gross Premium Written in:		
United Kingdom	(1,333)	245,288
Other EU Member States	-	-
Rest of the World	(16)	(58)
	(1,349)	245,230

4. Net Operating Expenses

	2005	2004 Restated
	£	£
Acquisition costs	(1,724)	74,051
Change in deferred acquisition costs	32,099	1,210
Administrative expenses	17,168	27,916
Loss/(Profit) on exchange	(2,901)	1,840
	44,642	105,017

5. Investment Income

	2005	2004 Restated
	£	£
Income from investments	19,529	16,096
	19,529	16,096

6. Investment Expenses and Charges

	2005	2004 Restated
	£	£
Investment management expenses, including interest	384	446
	384	446

7. Profit on Ordinary Activities before Taxation

	2005	2004 Restated
	£	£
This is stated after charging:		
Directors remuneration	-	-
Auditors' remuneration - audit	120	120
Auditors' remuneration – other services	-	-
Amortisation of syndicate capacity	-	-
Interest on bank loan and overdrafts	-	-
Interest on other loans	-	-

The Company has no employees

8. Taxation

	2005	2004 Restated
	£	£
Analysis of Charge in Period		
Current tax:		
UK corporation tax on profit of the period	-	-
Adjustment in respect of previous period	-	-
	-	-
Foreign tax	5	1,114
Total current tax	5	1,114
Deferred tax		
Origination and reversal of timing differences	-	-
	5	1,114
Factors affecting tax charge for period		
The tax assessed for the period is different to the standard rate of corporation tax in the UK (19%). The differences are explained below:		
Profit/(loss) on ordinary activities before tax	24,794	23,051
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2004 – 19%)	4,711	4,380
Effects of:		
Underwriting results subject to timing differences for taxation	43,867	34,082
Utilisation of tax losses	(48,550)	(38,821)
Foreign tax	5	1,114
Amortisation and other corporation computation adjustments	(28)	359
Marginal or starting rates of taxation and prior period adjustment	-	-
Current tax charge for the period	5	1,114

The results of the Company's participation on the 2003, 2004 and 2005 years of account and the calendar year movement on 2002 and prior run-offs, will not be assessed to tax until the year ended 31 December 2006, 2007 and 2008 respectively being the year after the calendar year result of each run-off year or the normal date of closure of each year of account.

Notes to the Financial Statements
For the year ended 31 December 2005

9. Dividends	2005	2004 Restated
	£	£
Equity dividends declared and paid	-	-

10. Intangible Assets	2005	2004 Restated
	£	£
Purchased syndicate capacity		
Cost		
At 1 January 2005	-	7,196
Additions	-	-
Disposals	-	(7,196)
At 31 December 2005	-	-
Amortisation		
At 1 January 2005	-	2,718
Provided during the year	-	-
Disposals	-	(2,718)
At 31 December 2005	-	-
Net Book Value		
At 31 December 2005	-	-
At 31 December 2004	-	4,478

Notes to the Financial Statements For the year ended 31 December 2005

11. Investments

Other Financial Investments - Syndicate

	2005		2004 Restated	
	Market Value £	Cost £	Market Value £	Cost £
Shares and other variable yield securities and units in unit trusts	26,655	25,236	29,234	28,820
Debt securities and other fixed income securities	359,437	360,593	385,929	383,677
Participation in investment pools	946	917	6,786	6,786
Loans secured by mortgages	385	393	-	-
Other loans	-	-	8	13
Deposits with credit institutions	15,972	15,936	18,113	17,872
Other	207	295	436	435
	403,602	403,370	440,506	437,603
Listed investments included within the above	387,038	386,746	421,949	419,283

Other Financial Investments - Corporate

Shares and other variable yield securities	423	282	282	282
Debt securities and other fixed income securities	-	-	-	-
Participation in investment pools	-	-	-	-
Loans guaranteed by mortgage	-	-	-	-
Other loans	-	-	-	-
Deposits with credit institutions	-	-	-	-
Other	-	-	-	-
	423	282	282	282
Listed investments included within the above	423	282	282	282

12. Debtors arising out of Direct Insurance and Reinsurance Operations

	2005			2004 Restated		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
The following amounts due after one year:						
Direct insurance operations	139	-	139	19	-	19
Reinsurance operations	517	-	517	430	-	430
	656	-	656	449	-	449

Notes to the Financial Statements
For the year ended 31 December 2005

13. Other Debtors

	Syndicate Participation £	Corporate £	2005 Total £	Syndicate Participation £	Corporate £	2004 Restated Total £
Amounts due from group undertakings	-	-	-	-	-	-
Funds at Lloyd's	-	43	43	-	69	69
Other	33,561	9,887	43,448	52,795	18,906	71,701
	33,561	9,930	43,491	52,795	18,975	71,770

14. Called-up Share Capital

	2005 Authorised	2005 Allotted, called-up and fully paid	2004 Authorised	2004 Allotted, called-up and fully paid
Ordinary shares of £1 each	100	1	100	1

15. Profit and Loss Account

	Syndicate Participation £	Corporate £	2005 Total £	Syndicate Participation £	Corporate £	2004 Restated Total £
Retained profit/(loss) brought forward as previously reported	28,701	(244,335)	(215,634)	(45,691)	(202,297)	(247,988)
Prior Year adjustment – Annual accounting adjustment	49,883	(9,996)	39,887	56,866	(6,562)	50,304
Reallocate 2004 distribution	-	-	-	45,691	(45,691)	-
As restated	78,584	(254,331)	(175,747)	56,866	(254,550)	(197,684)
Reallocate 2005 distribution	(28,701)	28,701	-	-	-	-
Profit/(loss) for the financial year	30,378	(5,589)	24,789	21,718	219	21,937
Retained profit/(loss) carried forward	80,261	(231,219)	(150,958)	78,584	(254,331)	(175,747)

16. Reconciliation of Movements in Shareholders' Funds

	2005 £	2004 Restated £
Opening shareholders funds as previously stated	(215,633)	(247,987)
Prior year adjustment (Note 1)	39,887	50,304
Opening shareholders funds as restated	(175,746)	(197,683)
Profit/(loss) for the financial year	24,789	21,937
Equity Dividends	-	-
Closing shareholders' funds	(150,957)	(175,746)

Notes to the Financial Statements
For the year ended 31 December 2005

17. Deferred Taxation

	2005	2004 Restated
	£	£
Opening Balance Previously Reported	(9,996)	(6,560)
Prior year adjustment	9,996	6,560
As restated	-	-
Profit and loss account charge	-	-
Closing balance	-	-

18. Creditors

	2005			2004 Restated		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
	£	£	£	£	£	£
Corporation tax	-	-	-	-	-	-
Proprietors' loan accounts	-	199,344	199,344	-	220,965	220,965
Third Party Funds	-	-	-	-	-	-
Other creditors	34,593	18,782	53,375	41,487	31,707	73,194
Amount due to group undertakings	-	-	-	-	-	-
	34,593	218,126	252,719	41,487	252,672	294,159

19. Reconciliation of Operating Profit to Net Cash Outflow from Operating Activities

	2005	2004 Restated
	£	£
Profit or loss on ordinary activities before tax	24,794	23,051
(Profit)/loss attributable to syndicate transactions	(1,677)	(67,406)
Profit or loss – excluding syndicate transactions	23,117	(44,355)
(Increase)/decrease in debtors	9,045	20,287
Increase/(decrease) in creditors	(31,992)	20,986
(Profit)/loss on disposal of intangible assets	-	(10,813)
Amortisation of syndicate capacity	-	-
Impairment of syndicate capacity	-	-
Unrealised (gain)/loss on revaluation of investments	(141)	-
Net cash inflow/(outflow) from operating activities	29	(13,895)

Notes to the Financial Statements
For the year ended 31 December 2005

20. Related party disclosure

The company's 1998,1999, 2000, 2001, 2002, 2003, 2004 and 2005 underwriting is supported by the assets of or guarantees made interavailable to it by E I M Hilleary. These assets or guarantees are also available to Lloyd's to meet the personal underwriting liabilities of E I M Hilleary for underwriting years in run-off commencing prior to 1 January 1998, where applicable.

E I M Hilleary is the beneficial owner of the company's share.

Mr J.R.H. Evans, a director of the company, is also a director of Nomina plc which administers the conversion scheme in which the company participates. Nomina plc charges a fixed management fee of £2,500 (2004: £2,250) to cover all the costs of basic administration of the company.

Notes to the Financial Statements
For the year ended 31 December 2005

21 Syndicates

The principal syndicates or members' agent pooling arrangements ("MAPA") in which the company participates as an underwriting member are as follows:

Syndicate or MAPA Number:	Managing Agent	2005 Allocated Capacity £	2004 Allocated Capacity £	2003 Allocated capacity £	2002 Allocated Capacity £
1245	Heritage Managing Agency Ltd	-	26,165	25,000	20,000
7117	Members' Agents Pooling Arrangement	-	318,628	309,348	281,226