

Registered Number 3626421

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MOTTRAM UNDERWRITING LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2004



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The Directors have pleasure in presenting their Report together with the Financial Statements for the year ended 31 December 2004.

Results and Dividends

The results for the year are set out on pages 6 and 7 of the Financial Statements. The Directors do not recommend the payment of a dividend.

Review of the Business

The principal activity of the Company in the year under review was that of a corporate underwriting member of Lloyd's. The Company commenced underwriting with effect from 1 January 1999.

The result for the year includes movements from Syndicates that closed the 2002 underwriting account and from Syndicates in run-off, compared to the provisions previously established for these losses. Overall the 2002 underwriting account closed with a profit. The syndicates identified in note 21 continue to be unable to obtain a reinsurance to close. The market is currently forecast to make an overall profit for the 2003 and 2004 underwriting accounts which will normally close at 31 December 2005 and 2006 respectively and are therefore not reflected in these financial statements. The company has continued to underwrite on the 2005 underwriting account where the market conditions are considered favourable for a profitable outcome subject to the level of claims experienced.

Directors and Directors' Interests

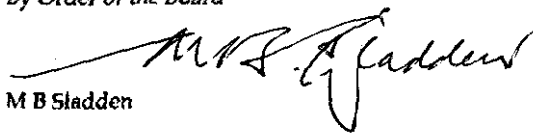
The Directors of the Company in office, during the year, and their interest in its share capital were as follows:

	31 December 2004	1 January 2004
	Ordinary 1 shares	Ordinary 1 shares
M B Sladden	5,000	5,000

Auditors

Since the previous Annual General Meeting, our 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


M B Sladden

Director

26 October 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 of the profit or loss of the Company for that year. In preparing those Financial Statements the Directors are required to:

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

The Directors are responsible for 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 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.

Independent Auditors' Report to the Shareholders of Mottam Underwriting Limited

We have audited the Financial Statements of Mottam Underwriting Limited for the year ended 31 December 2004 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 as modified by the revaluation of investments and the accounting policies set out herein

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

The Directors' responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards

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 transactions with the Company 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 or material inconsistencies within it. Our responsibilities do not extend to any other information

Basis of Opinion

We conducted our audit in accordance with United Kingdom 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. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Financial Statements, and of whether the Accounting Policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed

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

Opinion

In our opinion the Financial Statements give a true and fair view of the state of the Company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

CLB Littlejohn Frazer

CLB Littlejohn Frazer

Chartered Accountants
and Registered Auditors

1 Park Place
Canary Wharf
London E14 4HJ

26 October 2005

MOTIRAM UNDERWRITING LIMITED
PROFIT AND LOSS ACCOUNT
Year Ended 31 December 2004
TECHNICAL ACCOUNT - GENERAL BUSINESS

	Note	2004	2003
Gross Premiums Written	1	1,632,903	1,308,539
Outward reinsurance premiums		(187,915)	(205,143)
Earned Premiums Net of Reinsurance		1,444,988	1,103,396
Allocated Investment Return	3	40,507	32,613
Claims Paid			
Gross amount		(533,141)	(561,782)
Reinsurers' share		150,330	205,706
Net claims paid		(382,811)	(356,076)
Change in Provision for Claims			
Gross amount		(630,947)	(103,677)
Reinsurers' share		123,808	(261,826)
Net change in provision for claims		(507,139)	(365,503)
Claims Incurred Net of Reinsurance		(889,950)	(721,579)
Net operating expenses	4	(440,196)	(446,524)
Investment expenses and charges		(1,331)	(1,176)
Balance on Technical Account for General Business		£154,018	£(33,270)

MOTTRAM UNDERWRITING LIMITED**PROFIT AND LOSS ACCOUNT**
Year Ended 31 December 2004**NON TECHNICAL ACCOUNT**

	Note	2004	2003
Balance on the General Business Technical Account	5	154,018	(33,270)
Investment income	6	8,278	8,943
Other income	7	22,894	31,887
Other charges		(121,236)	(20,188)
Profit/(Loss) on Ordinary Activities before Taxation	8	63,954	(12,628)
Tax on profit/(loss) on ordinary activities	16	31,086	40,790
Profit for the Financial Year	14	<u>£95,040</u>	<u>£28,162</u>

The Company has no recognised gains or losses other than the profit for the financial year stated above.

All amounts above relate to continuing operations

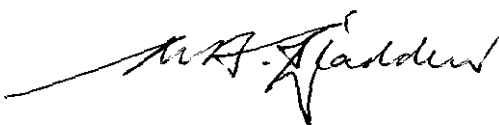
MOTTRAM UNDERWRITING LIMITED
BALANCE SHEET
As at 31 December 2004

	Note	Syndicate Assets	Corporate	2004 Total	2003 Total
ASSETS					
Intangible Assets					
Syndicate participation rights	9	-	15,992	15,992	18,079
Investments					
Financial investments	10	1,406,554	29,770	1,436,324	1,185,751
Deposits with ceding undertakings		1,481	-	1,481	1,966
		1,408,035	29,770	1,437,805	1,187,717
Reinsurers' Share of Technical Provisions					
Claims outstanding		768,071	-	768,071	851,598
Debtors					
Arising out of direct insurance operations					
- Policy holders		30,828	-	30,828	725
- Intermediaries		306,701	-	306,701	304,431
Arising out of reinsurance operations		765,711	-	765,711	745,307
Other debtors	11	74,512	71,876	146,388	180,210
		1,177,752	71,876	1,249,628	1,230,673
Other Assets					
Cash at bank	12	168,170	98,649	266,819	203,395
Other		123,418	-	123,418	108,754
		291,588	98,649	390,237	312,149
Prepayments and Accrued Income					
Other prepayments and accrued income		8,539	-	8,539	6,891
Total Assets		<u>£3,653,985</u>	<u>£216,287</u>	<u>£3,870,272</u>	<u>£3,607,107</u>

MOTTRAM UNDERWRITING LIMITED
BALANCE SHEET
 As at 31 December 2004

	Note	Syndicate Liabilities	Corporate	2004 Total	2003 Total
LIABILITIES					
Capital and Reserves					
Called-up share capital	13	-	1,250	1,250	1,250
Share Premium Account	14	-	-	-	-
Profit and Loss Account	14	154,018	(304,805)	(150,787)	(245,827)
Shareholders' Funds Attributable to					
Equity Interests	15	154,018	(303,555)	(149,537)	(244,577)
Technical Provisions					
Claims outstanding - gross amount		3,271,342	-	3,271,342	3,180,462
Provisions for Other Risks and Charges					
Provision for taxation	16	-	-	-	-
Deposits Received from Reinsurers		5,412	-	5,412	13,510
Creditors					
Arising out of direct insurance operations		20,102	-	20,102	20,925
Arising out of reinsurance operations		98,512	-	98,512	135,405
Amounts due to credit institutions		795	-	795	1,795
Other creditors	17	99,985	444,448	544,433	448,605
		219,394	444,448	663,842	606,730
Accruals and Deferred Income					
		3,819	75,394	79,213	50,982
Total Liabilities		£3,653,985	£216,287	£3,870,272	£3,607,107

Approved by the Board on 26 October 2005



M B Sladden

Director

MOTTRAM UNDERWRITING LIMITED

CASH FLOW STATEMENT
Year Ended 31 December 2004

	Note	2004	2003
Net Cash (Outflow) from Operating Activities	18	(118,767)	(272)
Returns on Investments and Servicing of Finance			
Interest and dividends received		<u>5,319</u>	<u>2,327</u>
Net Cash Inflow from Returns on Investments and Servicing of Finance		5,319	2,327
Taxation			
Corporation Tax paid		-	-
Capital Expenditure and Financial Investment			
Purchase of syndicate participation rights		-	(12,605)
Proceeds from sale of syndicate participation rights		18,225	33,197
Purchase of investments		(946)	(19,249)
Proceeds from sale of investments		<u>-</u>	<u>-</u>
Net Cash Inflow from Capital Expenditure and Financial Investment		<u>17,279</u>	<u>1,343</u>
Net Cash Inflow before Financing		(96,169)	3,398
Financing			
Funds lent to the Company by the Shareholders to meet expenses and cash calls		<u>110,864</u>	<u>80,553</u>
Net Cash Inflow/(Outflow) from Financing		<u>110,864</u>	<u>80,553</u>
Increase in Cash		<u>£14,695</u>	<u>£83,951</u>
Net Funds at 1 January 2004		83,954	3
Increase in cash in the year		<u>14,695</u>	<u>83,951</u>
Net Funds at 31 December 2004		<u>£98,649</u>	<u>£83,954</u>

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.

Accounting Policies

Basis of Accounting

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 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 2003. 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.

Amounts reported in the General Business Technical Account relate to the movements in the calendar year in respect of all relevant years of account of the Syndicates.

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 "Syndicate Assets" and "Syndicate Liabilities". The assets are held subject to trust deeds for the benefit of the Syndicates' insurance creditors.

In continuing to apply the going concern basis to this Company's Financial Statements the following factors have been taken into account: the likely timing of any underwriting and non-underwriting cashflows, any Funds at Lloyd's supporting the Company's underwriting and not reflected in the the Company's Balance Sheet and the continued support of the Directors and Shareholders including the potential deferral of balances due to them

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 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 any outstanding claims.

The Director considers 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 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. 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, this will include any difference in the price that is ultimately charged for the reinsurance to close premium compared to the syndicate's current estimate.

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 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 the Balance Sheet include the totals of all the Syndicates outstanding debit and credit transactions as processed by Xchanging Ins-sure Services Limited; 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.

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 (excluding any losses on open years of account) are only declared for tax purposes in the calendar year following the normal closure of the year of account. No provision is made for taxation in relation to open years of account.

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 3 year period beginning in the third year after the underwriting commences in respect of the purchased Syndicate participation.

Investments

Investments held directly by the company, by trustees of the Premium Trust Fund, or as the Lloyd's Deposit, are stated at market value.

1 Class of Business

	Gross written premiums	Gross claims incurred	Operating expenses	Reinsurance balance
2004				
Direct				
Accident and health	59,430	(31,873)	(25,727)	(2,115)
Motor - third party liability	18,565	1,752	(18,109)	564
Motor - other classes	37,263	(11,583)	(14,677)	(6,947)
Marine, aviation and transport	148,254	(75,807)	(47,913)	(15,488)
Fire and other damage to property	382,779	(181,727)	(126,594)	(5,429)
Third party liability	335,185	(322,999)	(97,324)	63,516
Credit and suretyship	26,431	(13,918)	(9,223)	(1,620)
Other	2,489	(9,697)	(775)	3,288
Total Direct	1,010,396	(645,852)	(340,342)	35,769
Reinsurance Business				
Reinsurance acceptances	280,265	(131,083)	(90,242)	(30,575)
Reinsurance to close	342,242	(387,153)	(9,612)	81,029
Total Reinsurance	622,507	(518,236)	(99,854)	50,454
Total	£1,632,903	£(1,164,088)	£(440,196)	£86,223
2003				
Direct				
Accident and health	40,472	(9,734)	(17,441)	(7,383)
Motor - third party liability	7,627	(8,811)	(3,937)	5,189
Motor - other classes	21,860	(1,881)	(9,299)	3,774
Marine, aviation and transport	125,283	(8,195)	(47,431)	(46,936)
Fire and other damage to property	247,918	(56,742)	(94,360)	(110,703)
Third party liability	312,928	(234,626)	(103,305)	(50,301)
Credit and suretyship	20,091	(19,047)	(6,457)	1,871
Other	2,147	8,277	(3,297)	(9,692)
Total Direct	778,326	(330,759)	(285,527)	(214,181)
Reinsurance Business				
Reinsurance acceptances	446,209	(96,785)	(154,867)	(195,445)
Reinsurance to close	84,004	(237,915)	(6,130)	148,363
Total Reinsurance	530,213	(334,700)	(160,997)	(47,082)
Total	£1,308,539	£(665,459)	£(446,524)	£(261,263)

2	Geographical Analysis	2004	2003	
	Direct Gross Premium Written In			
	United Kingdom	1,009,075	790,826	
	Other EU Member States	-	(12,384)	
	Rest of the World	1,321	(116)	
		<u>£1,010,396</u>	<u>£778,326</u>	
3	Allocated Investment Income	2004	2003	
	Investment income	52,606	44,494	
	Realised (loss)/gain on investments	(12,099)	(11,881)	
		<u>£40,507</u>	<u>£32,613</u>	
4	Net Operating Expenses	2004	2003	
	Acquisition costs	231,760	261,592	
	Administrative expenses	133,635	98,471	
	(Profit)/loss on exchange	74,801	86,461	
		<u>£440,196</u>	<u>£446,524</u>	
5	Transfer from Technical Account	2001 & Prior Underwriting Account	2002 Underwriting Account	Total
	Profit/(Loss) for the year	(2,537)	156,555	154,018
		<u>£(2,537)</u>	<u>£156,555</u>	<u>£154,018</u>
6	Investment Income	2004	2003	
	Income from other investments (including interest receivable)	5,319	2,327	
	Realised gain / (loss) from other investments	-	-	
	Unrealised gain / (loss) from other investments	2,959	6,616	
		<u>£8,278</u>	<u>£8,943</u>	
7	Other Income	2004	2003	
	Profit / (loss) on sale of syndicate participation rights	22,894	31,887	
	Other	-	-	
		<u>£22,894</u>	<u>£31,887</u>	

8 Profit/(Loss) on Ordinary Activities before Taxation	2004	2003
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This is stated after charging:

Auditors' remuneration - audit	£600	£600
Auditors' remuneration - other	£1,300	£1,300
Directors' remuneration	£-	£-
Amortisation of syndicate capacity	£6,756	£13,366
	<u>£6,756</u>	<u>£13,366</u>

The Company has no employees

9 Intangible Assets	Syndicate Participation Rights
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Cost

At 1 January 2004	68,773
Additions	0
Disposals	(458)
	<u>68,315</u>

At 31 December 2004

Amortisation

At 1 January 2004	50,694
Charge for the year	6,756
Disposals	(5,127)
	<u>52,323</u>

At 31 December 2004

Net Book Value

At 31 December 2004	<u>£15,992</u>
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At 31 December 2003	<u>£18,079</u>
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10 Investments	Syndicate	Corporate	2004 Total	2003 Total
Financial Investments				
<i>At market value</i>				
Shares and other variable yield securities	94,997	29,770	124,767	120,221
Debt securities and other fixed income securities	1,216,835	-	1,216,835	1,014,011
Participation in investment pools	24,129	-	24,129	14,573
Loans guaranteed by mortgage	-	-	-	263
Other Loans	24	-	24	-
Deposits with credit institutions	70,553	-	70,553	35,126
Other	16	-	16	1,557
	<u>£1,406,554</u>	<u>£29,770</u>	<u>£1,436,324</u>	<u>£1,185,751</u>
Listed investments included within the above	<u>£1,285,359</u>	<u>£29,770</u>	<u>£1,315,129</u>	<u>£1,003,475</u>
<i>At cost</i>				
Shares and other variable yield securities	100,843	20,195	121,038	103,469
Debt securities and other fixed income securities	1,187,472	-	1,187,472	1,145,614
Participation in investment pools	43,943	-	43,943	30,896
Loans guaranteed by mortgage	-	-	-	264
Other loans	-	-	-	-
Deposits with credit institutions	30,212	-	30,212	20,060
Other	16	-	16	224
	<u>£1,362,486</u>	<u>£20,195</u>	<u>£1,382,681</u>	<u>£1,300,527</u>
11 Debtors	Syndicate	Corporate	2004 Total	2003 Total
Deferred Tax	-	71,876	71,876	40,790
Other	74,512	-	74,512	139,420
	<u>£74,512</u>	<u>£71,876</u>	<u>£146,388</u>	<u>£180,210</u>

Corporate other debtors includes £Nil (2003 : £37,217) in respect of cash calls paid to Syndicates.

These cash calls will be offset against the Syndicate result for the year on which the cash call is made when that year closes. These amounts may therefore not be recoverable within 12 months. Any amounts shown as deferred tax are unlikely to be recovered within 12 months.

12 Cash at Bank	Syndicate	Corporate	2004 Total	2003 Total
Lloyd's deposit	-	96,162	96,162	66,865
Cash at bank and in hand	168,170	2,487	170,657	136,530
	<u>£168,170</u>	<u>£98,649</u>	<u>£266,819</u>	<u>£203,395</u>

Any Lloyd's deposit is held in accordance with the constraints detailed in note 19

13 Called-up Share Capital	2004	2004	2003	2003
	Authorised	Allotted, Called-up and Fully Paid	Authorised	Allotted, Called-up and Fully Paid
Ordinary shares of 1 each	<u>£100,000</u>	<u>£1,250</u>	<u>£100,000</u>	<u>£1,250</u>

14 Reserves	2004	2004	2003	2003
	Share Premium Account	Profit and Loss Account	Share Premium Account	Profit and Loss Account
Balance at 1 January	-	(245,827)	-	(273,989)
Retained profit / (loss) for the year	-	95,040	-	28,162
Balance at 31 December	<u>£-</u>	<u>£(150,787)</u>	<u>£-</u>	<u>£(245,827)</u>

15 Reconciliation of Movements in Shareholders' Funds

	2004	2003
Profit / (loss) for the financial year	95,040	28,162
Opening shareholders' funds	(244,577)	(272,739)
Closing shareholders' funds	<u>£(149,537)</u>	<u>£(244,577)</u>

16 Taxation

	2004	2003
Analysis of Charge in Year		
Current tax		
UK Corporation Tax on profits of the year	-	-
Adjustments in respect of previous years	-	-
Foreign tax	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	(31,086)	(40,790)
Changes in tax rates	-	-
Adjustment to the estimated recoverable amounts of deferred tax assets arising in previous years	-	-
Gain rolled over	-	-
Total deferred tax	<u>(31,086)</u>	<u>(40,790)</u>
Tax charge / (credit) on ordinary activities	<u>£(31,086)</u>	<u>£(40,790)</u>

16 Taxation (Continued)

Factors Affecting Tax Charge for the Year

The tax assessed for the year is lower than the standard rate of Corporation Tax in the UK of 19% (2003: 19%). The differences are explained below:

	2004	2003
Profit/(loss) on ordinary activities before tax	63,954	(12,628)
Profit/(loss) on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 19% (2003 - 19%)	12,152	(2,399)
Effects of:		
Expenses not deductible for tax purposes	227	31
Timing differences arising from the taxation of the underwriting results	(47,000)	(6,512)
Timing differences arising from the taxation of syndicate participation movements	183	-
Other	-	(2)
Tax Losses carried forward	34,438	8,882
Current tax charge for year	£-	£-

Factors that may affect Future Tax Charges

The Company has trading losses of approximately £497,789 (2003: £148,367) available for carry forward against future trading profits which if utilised should significantly reduce tax payments in subsequent years

In addition the company has net deferred tax profits carried forward of £119,494 (2003 : loss £168,022) in respect of open and closed years underwriting results and amortisation of syndicate participations in previous years, which are not yet assessable to Corporation Tax.

The above charge for foreign tax has been estimated after making provision for double taxation relief with the UK. However due to the differences of timings and tax rates some foreign taxes may ultimately not be fully recoverable

Deferred Tax Asset	2004	2003
Timing differences arising from the taxation of the underwriting results	29,263	-
Open Year Loss Provisions	-	-
Timing differences arising from the taxation of syndicate capacity movements	(6,560)	(12,572)
Unrealised Gain / (Loss) on Corporate Investments	-	-
Tax losses carried forward / (released)	(62,655)	(28,218)
Provision for deferred tax	£(39,952)	£(40,790)
Asset at start of year	(40,790)	-
Deferred tax charge/(credit) in Profit and Loss Account for year	(31,086)	(40,790)
Asset at end of year	£(71,876)	£(40,790)

17 Other Creditors	Syndicate	Corporate	2004 Total	2003 Total
Other creditors	99,985	70,229	170,214	185,250
Corporation Tax	-	-	-	-
Proprietors' loan account	-	374,219	374,219	263,355
	<u>£99,985</u>	<u>£444,448</u>	<u>£544,433</u>	<u>£448,605</u>

The above proprietors' loan has been included in the related party transaction note 20.

**18 Reconciliation of Operating Profit / (Loss) to Net Cash
Inflow / (Outflow) from Operating Activities**

	2004	2003
Operating Profit / (Loss) before interest	55,676	(21,571)
Underwriting result in year	(154,018)	33,270
Prior Year result distributable in year	(101,852)	(67,548)
(Profit) / Loss on sale of capacity	(22,894)	(31,887)
Increase / (Decrease) in creditors	58,614	60,769
(Increase) / Decrease in debtors	38,951	13,329
Amortisation and Impairment of capacity	6,756	13,366
Net cash Inflow / (Outflow) from operating activities	<u>£(118,767)</u>	<u>£(272)</u>

19 Funds at Lloyd's

Cash balances of £96,162 (2003 : £66,865) detailed in note 12 are held within the company's Lloyds deposit.

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.

In addition to these amounts, the shareholders of the Company have also made available to Lloyd's assets amounting to approximately £500,600 (2003: £437,500) which are also used by the Company to support its Lloyd's underwriting. These funds are also available to Lloyd's to meet the personal underwriting liabilities of the shareholders for underwriting years commencing prior to 1 January 1999.

20 Related Party Transactions

M B Sladden is a Director and shareholder of the Company. During 2004 he provided funding of £110,864 (2003: £80,553). No amounts were repaid and included within the creditors at 31 December 2004 is £374,219 (2003: £263,355) which is due to M B Sladden. This amount is shown separately in note 17 under Proprietors' loan account.

Previously no interest had been charged on the amount outstanding as, potentially, the company was not in a position to repay the loan. As the Director now expects the Company to be able to repay the loan in forthcoming years, interest of £84,496 has been charged at 4% above Bank of England base rate from when the loan was first made.

21 Syndicates

The Company is or was an Underwriting Member of the following Syndicates or MAPA's:

Syn. No.	Managing Agent	2005 Allocated Capacity	2004 Allocated Capacity	2003 Allocated Capacity	2002 Allocated Capacity
2	Advent Underwriting Limited	-	-	-	21,033 *
33	Hiscox Syndicates Limited	148,198	150,000	150,000	104,997
218	Cox Syndicate Management Limited	110,000	-	-	-
318	Beaufort Underwriting Agency Limited	-	-	25,000	-
386	Limit Underwriting Limited	-	100,000	100,000	80,000
510	R J Kiln & Co. Limited	150,546	126,000	120,000	75,000
557	R J Kiln & Co. Limited	75,000	40,000	40,000	37,499
570	Atrium Underwriters Limited	100,000	79,662	79,662	62,698
609	Atrium Underwriters Limited	150,000	108,543	96,483	78,800
623	Beazley Furlonge Limited	122,286	111,610	100,000	75,000
727	S A Meacock & Co Limited	100,000	75,316	70,000	40,102
780	Advent Underwriting Limited	-	23,751	25,000	30,000
807	R J Kiln & Co Limited	80,000	50,000	-	-
958	Omega Underwriting Agents Limited	140,000	115,771	79,187	56,562
1007	SVB Syndicates Limited	-	-	-	30,000 *
2001	Amlin Underwriting Limited	-	-	49,068	78,511
2010	Cathedral Underwriting Limited	-	-	45,000	30,937
2020	Wellington Underwriting Agencies Limited	128,689	116,800	112,000	100,000
2791	Managing Agency Partners Limited	140,000	87,947	85,447	68,865
7103	Anton Value MAPA	-	125,000	-	-
		<u>£1,444,719</u>	<u>£1,310,400</u>	<u>£1,176,847</u>	<u>£970,004</u>

* denotes a year of account in run-off.

In addition the company is still participating on the following syndicates or MAPA's in runoff

Syn. No.	Managing Agent	1999 Allocated Capacity	2000 Allocated Capacity	2001 Allocated Capacity
2	Advent Underwriting Limited	-	-	15,000
37	Highway Insurance Agency Limited	55,222	55,222	63,505
138	R F Bailey (Underwriting Agencies) Limited	-	35,000	-
340	St. Paul Syndicate Management Limited	-	15,769	-
435	Faraday Underwriting Limited	-	60,000	75,000