

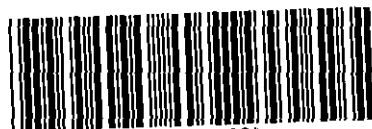
COMPANY NO. 1899032

REGISTERED OFFICE: Park Gate, 161-163 Preston Road, Brighton, BN1 6AU

Sphere Drake Leasing Limited

2006 Annual Report

WEDNESDAY



AJEQ7080

A13

28/03/2007

219

COMPANIES HOUSE

Sphere Drake Leasing Limited
Annual Report
For the year ended 31st December 2006

Contents

	Page
Directors and Administration	3
Directors' Report	4
Independent Auditors' Report to the Shareholders	6
Profit and Loss Account	8
Balance Sheet	9
Notes to the Financial Statements	10

Sphere Drake Leasing Limited
Directors and Administration
For the year ended 31st December 2006

Directors

J. J. Bator
N. C. Bentley
W. J. Gillett

Secretary

C. G. Regan

Registered Office

Park Gate
161-163 Preston Road
Brighton
BN1 6AU

Auditors

PricewaterhouseCoopers LLP

Sphere Drake Leasing Limited

Directors' Report

For the year ended 31st December 2006

The Directors have pleasure in presenting the Annual Report of Sphere Drake Leasing Limited ("Sphere Drake Leasing") together with the audited financial statements for the year ended 31st December 2006.

Ownership

Sphere Drake Leasing is a wholly owned subsidiary of RiverStone Holdings Limited which is registered in England and Wales. The ultimate parent company is Fairfax Financial Holdings Limited ("Fairfax") which is registered in Canada and listed on the Toronto and New York Stock Exchanges. The registered office of Fairfax Financial Holdings Limited is 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada M5J 2N7.

Principal Activity and Review of Business

Sphere Drake Leasing provided leasing services to the RiverStone Holdings Limited group of companies during the year.

Results and Dividends

There is no profit or loss to report for the year (2005: Nil). The Directors do not recommend the payment of a dividend (2005: Nil).

Directors

Directors holding office during the period from 1st January 2006 to the date of this report were as follows:

J. J. Bator
N. C. Bentley
W. J. Gillett

Directors' Interests

None of the Directors had any interest in the shares of Sphere Drake Leasing during the year. Under the provisions of the Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985, the Directors of Sphere Drake Leasing are exempt from disclosing to this Company any interests they may have in shares in the ultimate parent company, Fairfax.

Sphere Drake Leasing Limited

Directors' Report

For the year ended 31st December 2006

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 Sphere Drake Leasing and of the profit or loss of Sphere Drake Leasing for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently, with the exception of changes arising on the adoption of new accounting standards in the year;
- 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 financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that Sphere Drake Leasing will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of Sphere Drake Leasing and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of Sphere Drake Leasing and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of Disclosure of Information to Auditors

So far as each person who is noted on page 3 as being a Director at the date of this report is aware, there is no relevant audit information of which Sphere Drake Leasing's auditors are unaware. Each person noted on page 3 as being a Director at the date of this report has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that Sphere Drake Leasing's auditors are aware of that information.



Park Gate
161-163 Preston Road
Brighton, BN1 6AU

By Order of the Board



C. G. Regan
Secretary
8th March 2007

Sphere Drake Leasing Limited

Independent Auditors' Report to the Shareholders

For the year ended 31st December 2006

We have audited the financial statements of Sphere Drake Leasing Limited for the year ended 31st December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit 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.

Sphere Drake Leasing Limited
Independent Auditors' Report to the Shareholders
For the year ended 31st December 2006

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 31st December 2006 and of its result for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

8th March 2007

Sphere Drake Leasing Limited
Profit and Loss Account
For the year ended 31st December 2006

	Note	2006 £	2005 £
Turnover		32,633	32,633
Other operating charges	2	<u>(32,633)</u>	<u>(32,633)</u>
Result of ordinary activities before taxation	2	-	-
Taxation	4	<u>-</u>	<u>-</u>
Result of ordinary activities after taxation		-	-
Retained loss brought forward		<u>(133)</u>	<u>(133)</u>
Retained loss carried forward		£ <u>(133)</u>	£ <u>(133)</u>

The results above are all derived from continuing operations.


Sphere Drake Leasing has no recognised gains and losses other than those included in the Profit and Loss Account above and therefore no Statement of Total Recognised Gains and Losses has been presented.

There is no difference between the result of ordinary activities before taxation and the historical cost equivalent

Sphere Drake Leasing Limited
Balance Sheet
As at 31st December 2006

	Note	2006 £	2005 £
Current assets			
Finance lease receivables within one year due from fellow subsidiary undertakings	5	32,633	32,633
Finance lease receivables after more than one year from fellow subsidiary undertakings	5	10,877	43,510
Debtors	6	<u>306,930</u>	<u>307,354</u>
Total assets		£ <u>350,440</u>	£ <u>383,497</u>
Liabilities			
Capital and reserves			
Called-up share capital	10	2	2
Profit and loss account		<u>(133)</u>	<u>(133)</u>
Total shareholders' funds	9	(131)	(131)
Creditors			
Amounts falling due within one year	7	<u>350,571</u>	<u>383,628</u>
Total liabilities		£ <u>350,440</u>	£ <u>383,497</u>

The financial statements on pages 8 to 13 were approved by the Board of Directors on 8th March 2007 and were signed on its behalf by:


N. C. Bentley
 Managing Director


J. J. Bator
 Finance Director

Sphere Drake Leasing Limited

Notes to the Financial Statements

For the year ended 31st December 2006

1. Accounting Policies

(a) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable UK financial reporting and accounting standards. The principal accounting policies adopted by Sphere Drake Leasing are set out below and are consistent with those adopted in previous years.

(b) Turnover

Turnover represents the rentals receivable under finance leases for the accounting period. No interest is charged to other group companies. The capital value of the finance leases is amortised on a monthly basis over the period of the primary lease.

(c) Cash flows

Sphere Drake Leasing is a wholly owned subsidiary of Fairfax Financial Holdings Limited and the cash flows of Sphere Drake Leasing are included in the consolidated group cash flow statement of Fairfax Financial Holdings Limited. Consequently Sphere Drake Leasing is exempt under the terms of Financial Reporting Standard No.1 from publishing a cash flow statement.

(d) Deferred taxation

Deferred tax assets and liabilities are established for differences between amounts reported in the financial statements and amounts reported in Sphere Drake Leasing's annual corporation tax returns, including revaluation gains and losses on investments. Deferred taxes are calculated at the rates at which it is expected that the tax liability or benefit will arise. Deferred tax assets are recognised to the extent that they are regarded as more likely than not recoverable. Deferred tax balances are not discounted. Movements on deferred tax assets and liabilities are recognised in the profit and loss account, except to the extent that they arise in relation to movements in the Statement of Total Recognised Gains and Losses.

2. Result of Ordinary Activities Before Taxation

	2006 £	2005 £
Result of ordinary activities before taxation is stated after charging:		
Lease amortisation	£ <u>32,633</u>	£ <u>32,633</u>

The cost of assets acquired for letting under finance leases during the year totalled Nil (2005: Nil).

No emoluments were paid by Sphere Drake Leasing to any Directors during the year. The emoluments of the Directors are paid by a fellow subsidiary undertaking, RiverStone

Sphere Drake Leasing Limited
Notes to the Financial Statements
For the year ended 31st December 2006

Management Limited. Directors services to Sphere Drake Leasing are incidental and their emoluments are deemed to be wholly attributable to their services to other group companies. Accordingly no disclosure of emoluments has been made in these financial statements.

3. Auditors' Remuneration

	2006 £	2005 £
Audit services		
Fees payable to Sphere Drake Leasing's auditor for the audit of the accounts	£ <u>1,000</u>	£ <u>1,000</u>

4. Taxation

	2006 £	2005 £
Current Taxation		
Corporation tax at 30% (2005:30%) based on the result for the year	9,790	9,790
Group tax relief	<u>(9,790)</u>	<u>(9,790)</u>
	£ <u>-</u>	£ <u>-</u>

Factors affecting the tax charge for the year

The corporation tax assessed for the year differs to the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2006 £	2005 £
Result on ordinary activities before taxation	£ <u>-</u>	£ <u>-</u>
Result on ordinary activities before taxation multiplied by the UK corporation tax rate of 30% (2005:30%)	-	-
Lease amortisation charges	9,790	9,790
Group tax relief	<u>(9,790)</u>	<u>(9,790)</u>
Current tax charge for the year	£ <u>-</u>	£ <u>-</u>

Sphere Drake Leasing Limited
Notes to the Financial Statements
For the year ended 31st December 2006

5. Finance Lease Receivables

	2006 £	2005 £
Rentals receivable within one year less rental received in advance	32,633	32,633
Rentals receivable after more than one year	<u>10,877</u>	<u>43,510</u>
	£ <u>43,510</u>	£ <u>76,143</u>

6. Debtors

	2006 £	2005 £
Amounts due from parent undertaking	£ <u>306,930</u>	£ <u>307,354</u>

7. Creditors: Amounts Falling Due Within One Year

	2006 £	2005 £
Amounts due to fellow subsidiary undertakings	£ <u>350,571</u>	£ <u>383,628</u>

The fellow subsidiary undertakings concerned have indicated that they will not require repayment to be made until Sphere Drake Leasing has received funds from its customers.

8. Deferred Taxation

No deferred tax asset has been recognised in these financial statements as the Directors do not expect an actual tax benefit to crystallise in the foreseeable future. The potential deferred tax asset not recognised amounts to:

	2006 £	2005 £
Disclaimed capital allowances	1,827,000	1,817,000
Short term timing difference	<u>(13,000)</u>	<u>(41,000)</u>
	£ <u>1,814,000</u>	£ <u>1,776,000</u>

Sphere Drake Leasing Limited
Notes to the Financial Statements
For the year ended 31st December 2006

9. Reconciliation of Movements in Total Shareholders' Funds

	2006 £	2005 £
As at 1 st January	(131)	(131)
Result for the year	-	-
As at 31st December	£ (131)	£ (131)

10. Called-up Share Capital

	2006 £	2005 £
<u>Authorised share capital</u>		
100 Ordinary shares of £1 each	£ 100	£ 100
<u>Allotted, called up and fully paid</u>		
2 Ordinary shares of £1 each	£ 2	£ 2

11. Related Party Transactions and Ultimate Parent Company

Advantage has been taken of the exemption from the requirement to disclose transactions with related parties who are 90% or more owned within the same group as provided by Financial Reporting Standard No. 8 "Related Party Disclosures". This exemption is available for Sphere Drake Leasing as consolidated accounts are publicly available for Fairfax Financial Holdings Limited, the ultimate holding company.

The financial statements of Fairfax Financial Holdings Limited can be obtained from the Secretary, 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada, M5J 2N7 or from the website at www.fairfax.ca.