

BENFIELD HOLDINGS LIMITED

2265140

Financial Statements

for the year ended 31 December 2005



BENFIELD HOLDINGS LIMITED

COMPANY INFORMATION

DIRECTORS

John Coldman	
Grahame Chilton	
Rod Fox	(Resigned 31 January 2006)
Andrew MacDonald	(Resigned 5 August 2005)
David Spiller	(Resigned 31 July 2005)
John Whiter FCA	

SECRETARY

George Stiff

REGISTERED OFFICE

55 Bishopsgate
London EC2N 3BD

REGISTERED NUMBER

2265140

AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants & Registered Auditors
Southwark Towers
32 London Bridge Street
London
SE1 9SY

BENFIELD HOLDINGS LIMITED

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BENFIELD HOLDINGS LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 December 2005.

Principal activities, review and future development of the business

The company is a holding company whose subsidiaries carry on the business of reinsurance broking in the United Kingdom and overseas. The company will continue to carry on the activities in the forthcoming year.

Results and dividends

The company's loss for the financial year was £110,000 (2004: loss £27,434,000). The directors do not recommend the payment of a dividend.

Directors and their interests

The directors of the company are listed on page 1 and have been directors throughout the period from 1 January 2005 until the date of this report, unless stated otherwise.

No director had any interest in the shares of the company during the year ended 31 December 2005. Except for Rod Fox, all of the directors holding office at 31 December 2005 were also directors of Benfield Group Limited, the ultimate holding company, and their interests in the shares of that company are disclosed in the financial statements of that company. As at 31 December 2005 Mr Fox held 2,517,100 shares in Benfield Group Limited. (2004: 6,111,638).

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements that give a true and fair view of the state of affairs of the company as at 31 December 2005 and the results of the company for the period then ended.

In preparing these financial statements, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made reasonable and prudent judgements and estimates;
- stated whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in their financial statements; and
- prepared the financial statements on a 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 that disclose with reasonable accuracy at any time the financial position of the company and 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.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution proposing their reappointment will be put to the Annual General Meeting.

by order of the Board



G R G Stiff

Secretary

31 October 2006

BENFIELD HOLDINGS LIMITED
INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BENFIELD HOLDINGS LIMITED

We have audited the financial statements of Benfield Holdings Limited for the year ended 31 December 2005 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement 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 Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2005 and of its loss and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
31 October 2006

BENFIELD HOLDINGS LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

		2005 £'000	2004 £'000
<hr/>			
Notes			
2	Operating income before exceptional income	2,634	412
2	Exceptional operating income	4,537	2,374
2	Total operating income	7,171	2,786
	Net administrative expenses	(28,611)	(31,233)
	Operating loss	(21,440)	(28,447)
3	Finance income	31,583	6,479
3	Finance costs	(5,356)	(3,463)
4	Profit/(loss) before taxation	4,787	(25,431)
5	Taxation	(4,897)	(2,003)
	Loss for the financial year	(110)	(27,434)

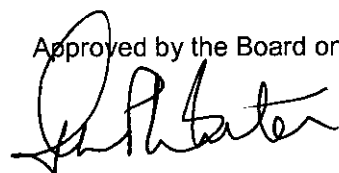
The company's results all relate to continuing operations.

The company has no recognised income or expenses other than the loss reported above.

BENFIELD HOLDINGS LIMITED
BALANCE SHEET
AT 31 DECEMBER 2005

		2005 £'000	Restated 2004 £'000
Notes			
	ASSETS		
	Non-current assets		
6	Investment in subsidiary undertakings	342,739	188,378
7	Deferred tax assets	7,254	9,726
		349,993	198,104
	Current assets		
8	Trade and other receivables	50,630	188,846
	Available-for-sale financial assets	440	16,029
	Cash at bank and in hand	-	40
		51,070	204,915
	LIABILITIES		
	Current liabilities		
9	Trade and other payables	230,728	199,118
10	Borrowings	14,406	24,987
	Current tax payable	13,466	20,874
11	Provisions	516	387
		259,116	245,366
	Net current liabilities	(208,046)	(40,451)
	Non-current liabilities		
10	Borrowings	-	13,625
	Net assets	141,947	144,028
	SHAREHOLDERS EQUITY		
12	Share capital	1,412	1,412
13	Share premium	120,739	120,739
13	Capital redemption reserve	10,263	10,263
13	Revaluation reserve	-	3,309
13	Retained earnings	9,533	8,305
	Total equity	141,947	144,028

Approved by the Board on 31 October 2006 and signed on its behalf by:



J L P Whiter FCA
 Director

BENFIELD HOLDINGS LIMITED
CASHFLOW STATEMENT
AT 31 DECEMBER 2005

	2005 £'000	2004 £'000
Cash flows from operating activities		
Cash used in operations (note 14)	(7,158)	(9,054)
Interest received	31,583	6,479
Taxation (paid)/received	(7,077)	6,224
Net cash generated by operating activities	<u>17,348</u>	<u>3,649</u>
Cash flows from investing activities		
Acquisition of subsidiary undertakings	(2,778)	(15,840)
Disposal of subsidiary undertakings	-	(229)
Purchase of available-for-sale financial assets	-	(4,531)
Proceeds from disposal of available-for-sale financial assets	15,399	4,049
Proceeds from disposal of derivative financial instruments	-	29,105
Dividends received	2,546	412
Net cash generated from investing activities	<u>15,167</u>	<u>12,966</u>
Cash flows from financing activities		
Repayment of borrowings	(27,500)	(13,457)
Finance costs	(5,055)	(3,162)
Net cash used in financing activities	<u>(32,555)</u>	<u>(16,619)</u>
Net decrease in cash and cash equivalents	(40)	(4)
Cash and cash equivalents at 1 January	40	44
Cash and cash equivalents at 31 December	<u>-</u>	<u>40</u>

BENFIELD HOLDINGS LIMITED

ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations endorsed by the European Union and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. These financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investments and derivative financial instruments. The principal accounting policies adopted in the preparation of these financial statements are set out below. In addition there has been a further restatement as described in note 15.

The Company's financial statements were prepared in accordance with UK Generally Accepted Accounting Principles ("UK GAAP") until 31 December 2004. Consequently certain accounting, valuation and presentational methods previously applied under UK GAAP have been amended to comply with IFRS. The comparative figures have been restated to reflect these adjustments.

Reconciliations and descriptions of the effect of the transition from UK GAAP to IFRS on the Company's results are provided in Note 1.

Exceptional items

Income or expenditure in relation to a non-recurring event is credited or charged to operating profit and is classified under the appropriate heading in the income statement. Such items are disclosed separately as "exceptional" when they are considered material, in order that the effects of these items on operating profit can be fully appreciated.

Taxation

The charge for taxation is based on the result for the period at current rates of tax and takes into account deferred tax.

Deferred tax is recognised in respect of all temporary differences between the carrying value of assets and liabilities for reporting purposes and the corresponding tax bases used in the computation of taxable profit. Deferred tax is calculated at the rate of tax expected to apply when the liability is settled or the asset is realised. A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred liabilities are only offset against deferred tax assets where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents include current account balances, bank deposits and other short-term liquid investments with maturity dates of less than three months.

Foreign currencies

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities in currencies other than the functional currency are translated at the rates of exchange prevailing at the balance sheet date and the related transaction gains and losses are reported in the income statement.

Investment in subsidiary undertakings

Investments in subsidiaries are stated at cost less provision for impairment. A provision is made to the extent that, in the directors' view, the carrying amount exceeds the recoverable amount of the investment.

Available-for-sale financial assets

Available-for-sale financial assets are included at fair value unless it is not possible, due to their nature, to determine a fair value. In these circumstances they are held at cost less provision for impairment. Any subsequent unrealised gains and losses arising from changes in fair value are recognised in equity. When available-for-sale investments are sold or impaired, the accumulated fair value adjustments are recognised in the income statement as gains and losses.

BENFIELD HOLDINGS LIMITED

ACCOUNTING POLICIES

Provisions

A provision is recognised when there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Group Accounts

These financial statements contain information about Benfield Holdings Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption under IAS 27, 'Consolidated and separate financial statements', from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated financial statements of its parent, Benfield Group Limited.

Critical accounting estimates and judgements

Preparation of the consolidated financial statements requires certain estimates and assumptions to be made concerning future events that may affect the reported amounts in the financial statements and accompanying notes. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Consequently, the actual results can differ from these estimates. Key estimates made by management are disclosed in the relevant notes.

BENFIELD HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

1. TRANSITION TO IFRS

The Company adopted IFRS on 1 January 2005. Accordingly these are the first annual financial statements of the Company to comply with IFRS. The Company has prepared its opening IFRS balance sheet as at 1 January 2004, being the effective date of transition to IFRS.

Restatement summary

	1 January 2004	31 December 2004	
	Equity £'000	Net Income £'000	Equity £'000
As previously presented under UK GAAP	157,738	(5,118)	152,620
De-recognition of employee share ownership trusts	(9,193)	(1,480)	(10,673)
Revision of charge for share based payments	-	(1,088)	(1,088)
Recognition of derivative financial instruments at fair value	19,678	(19,678)	-
Restatement of financial assets to fair value	3,694	-	3,309
Deferred tax adjustments	(70)	(70)	(140)
As reported under IFRS	171,847	(27,434)	144,028

Employee share ownership trusts (SIC 12)

The Benfield Employee Benefit Trust and the Benfield 1998 Employee Benefit Trust own shares in Benfield Group Limited, the ultimate holding company. The assets and liabilities of the Trust were included in the company's balances sheet in accordance with UK GAAP, as the company holds de facto control over the trusts. SIC 12, "Consolidation – special purpose entities", requires an entity that controls a trust to consolidate that trust, but, as the company has taken advantage of the exemption under IAS 27 from the requirement to prepare consolidated financial statements, the assets and liabilities of the trust are no longer aggregated with the company's own assets and liabilities.

Share-based payments (IFRS 2)

Under UK GAAP, the cost of awards to employees in the form of shares or rights to shares was charged over the period to which the employee's performance related. The charge was based on the intrinsic value, being the fair value of the shares at the date of grant, reduced by any consideration payable by the employee. IFRS 2, "Share based payments", requires the cost to be measured by the fair value of the equity instrument awarded at the date of grant, and is recognised over the vesting period of the award.

Application of IFRS 2 results in an additional pre-tax charge in the income statement of £1,551,000. Benfield Group Ltd (the "parent company") makes a recharge to the company in respect of share options granted to the company's employees.

Financial instruments (IAS 32 & IAS 39)

The Group has elected to adopt IAS 32, "Financial Instruments: Disclosure and Presentation", and IAS 39, "Financial Instruments: Recognition and Measurement" retrospectively from the date of transition.

Derivative and hedge accounting

IAS 39 requires all derivative financial instruments to be recorded at fair market value with changes taken to the income statement. There was no such requirement under UK GAAP and consequently derivative financial instruments were accounted for as cash flows arising from these instruments occurred.

The fair value of derivative instruments on the date of transition including the associated deferred tax was £19,678,000 representing an increase in equity at that date. This was in respect of Montpelier Re Holdings

BENFIELD HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

Limited warrants which were sold in February 2004. Under UK GAAP, the increase in fair value of the warrants was recognised in full at the time of disposal resulting in an exceptional gain of £29,105,000. The application of IAS 39 results in the recognition of part of the increase in fair value in prior periods. Consequently, for the year ended 31 December 2004 this gain was reduced by £28,111,000.

Valuation of financial assets

Under UK GAAP, fixed asset investments are stated at cost less provisions for impairment. Current assets investments are stated at lower of cost and directors estimated valuation or market value, if listed. IAS 39 requires all financial instruments to be accounted for at either fair value or amortised cost depending on their classification.

All investments of the company during the periods presented have been classified as 'Available-for-sale' and as such are measured at fair value, when this can be determined, with changes that value being recognised in equity. This has resulted in an increase in equity of £3,694,000 and £3,309,000 at 1 January 2004 and 31 December 2004 respectively. Available for sale financial assets continue to be stated at cost less any provision for impairment when fair value can not be determined.

2. OPERATING INCOME

	2005 £'000	2004 £'000
Other operating income:		
Dividends from investments	2,634	412
Exceptional income:		
Gain on disposal of available-for-sale financial assets	4,537	1,380
Gain on disposal of derivative financial instruments	-	994
	7,171	2,786

Disposal of available-for-sale financial assets

In July 2005, the company disposed of its entire holding of shares in Montpelier Re Holdings Limited ("Montpelier Re"), which resulted in a gain of £4,537,000. In 2004 the company sold its entire holding of shares of BRIT Insurance Holdings PLC and 200,000 ordinary shares in Equity Partnership Limited resulting in a gain of £1,380,000.

Disposal of derivative financial instruments

In February 2004 the company sold its entire holding of Montpelier Re warrants which resulted in a gain of £29,105,000 of which, under IFRS, £28,111,000 has been recognised in prior period by way of movements in fair value taken through the income statement.

BENFIELD HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

3. FINANCE INCOME AND COSTS

	2005 £'000	2004 £'000
Finance income:		
Premium on redemption of loan note	27,736	-
Interest receivable from group undertakings	3,832	6,479
Other interest receivable	15	-
	<u>31,583</u>	<u>6,479</u>
Finance costs		
Interest payable to group undertakings	(2,461)	(1,601)
Interest payable on bank borrowings	(1,786)	(1,796)
Other interest payable	(1,109)	(66)
	<u>(5,356)</u>	<u>(3,463)</u>
	<u>26,227</u>	<u>3,016</u>

4. PROFIT BEFORE TAX

	2005 £'000	2004 £'000
Profit before taxation is stated after charging/(crediting):		
Exchange differences	416	(2,066)
Audit fees and expenses	<u>150</u>	<u>150</u>

There were no employees of the company during the period other than the directors. None of the directors received any emoluments in respect of their services as directors of the company.

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

Major components of tax (credit)/expense

	2005 £'000	2004 £'000
Current tax:		
UK corporate tax on income for the period	331	(15,580)
Adjustments in respect of previous periods	-	(2,046)
	<u>331</u>	<u>(17,626)</u>
Deferred tax:		
Relating to the origination and reversal of temporary differences	(5,228)	15,623
Total tax expense	<u>(4,897)</u>	<u>(2,003)</u>

Tax on items charged to equity

	2005 £'000	2004 £'000
Deferred tax credit on available-for-sale investments	1,418	99
Deferred tax credit on share awards	1,338	-
	<u>2,756</u>	<u>99</u>

BENFIELD HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

Taxation for the period 2005 and 2004 is higher than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2005 £'000	2004 £'000
Profit/(loss) on ordinary activities before tax	4,787	(25,431)
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(1,436)	7,629
Effect of:		
Expenses not deductible for tax purposes	(80)	(53)
Adjustments in respect of share awards	3,371	127
Adjustments to tax in respect of prior periods	-	(2,046)
Loss on disposal of subsidiary operations	(5,532)	(5,603)
Loss on associate operations	(827)	-
Impairment of investments	(120)	(903)
Other	(273)	(1,154)
	<u>(4,897)</u>	<u>(2,003)</u>

6. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	2005 £'000	2004 £'000
Cost		
At 1 January	188,378	173,488
Additions	172,358	15,840
Disposals	(17,997)	(950)
At 31 December	<u>342,739</u>	<u>188,378</u>

In April 2005, Greig Fester Group Limited, a wholly owned subsidiary of the Company, made a rights issue of 169,580,070 shares of 10p each for an aggregate consideration of £169,580,070.

In October 2005, Benfield Investment Holdings Limited, a wholly owned subsidiary of the Company called up the outstanding amount of £2,778,000 payable on shares allotted to the company during 2005.

BENFIELD HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

The company's principal subsidiary undertakings at 31 December 2005 were:

Company	Nature of business	Country of incorporation	Effective interest at 31 December	
			2005	2004
Benfield Limited	Reinsurance & insurance intermediary	United Kingdom	100%	100%
Benfield, Inc.	Reinsurance intermediary	USA	100%	100%
Benfield Argentina SA	Reinsurance intermediary	Argentina	100%	100%
Benfield Asia Pte. Limited	Reinsurance & insurance intermediary	Singapore	100%	100%
Benfield (Australia) Pty Limited	Reinsurance & insurance intermediary	Australia	100%	100%
Benfield (Bermuda) Limited	Reinsurance & insurance intermediary	Bermuda	100%	100%
Benfield Bratislava s.r.o.	Reinsurance intermediary	Slovak Republic	100%	100%
Benfield do Brasil Ltda	Reinsurance intermediary	Brazil	100%	100%
Benfield Canada Limited	Reinsurance intermediary	Canada	100%	100%
Benfield Corporate Risk LLC	Insurance intermediary	USA	100%	N/A
Benfield Corredores de Reaseguros Ltda.	Reinsurance intermediary	Chile	90%	90%
Benfield Iberica SA	Reinsurance intermediary	Spain	100%	100%
Benfield Korea Limited	Reinsurance intermediary	Korea	100%	N/A
Benfield México Intermediario de Reaseguro, S.A. de C.V.	Reinsurance intermediary	Mexico	100%	100%
Benfield München GmbH	Reinsurance intermediary	Germany	100%	100%
Benfield (New Zealand) Limited	Reinsurance intermediary	New Zealand	100%	100%
Benfield Paris SA	Reinsurance intermediary	France	100%	100%
Benfield Praha a.s.	Reinsurance intermediary	Czech Republic	100%	100%
Benfield (South Africa) (Pty) Limited	Reinsurance intermediary	South Africa	100%	100%
International Space Brokers, Inc.	Insurance intermediary	USA	86%	86%
MSTC Benfield Corredores de Seguros Ltda.	Insurance intermediary	Chile	90%	90%
Benfield Advisory Limited	Corporate finance & investment advisers	United Kingdom	100%	100%
Benfield Advisory, Inc.	Corporate finance & investment advisers	USA	100%	100%
Orbit Benefits Limited	Provision of financial services	United Kingdom	100%	100%
Orbit Protection Limited	Benefits consultancy	United Kingdom	100%	100%
Paragon Strategic Solutions, Inc.	Provision of run-off services	USA	100%	100%
Benfield Advisory Holdings Limited*	Intermediate holding company	United Kingdom	100%	100%
Greig Fester Group*	Intermediate holding company	United Kingdom	100%	100%

* Held directly by Benfield Holdings Limited. All other subsidiary undertakings are held indirectly.

All shareholdings are of ordinary common shares or stock.

BENFIELD HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

7. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary timing differences under the liability method. The movement on the deferred tax account is as shown below:

	2005 £'000	2004 £'000
At 1 January	9,726	(5,996)
Income statement credit	(5,228)	15,623
Available-for-sale securities	1,418	99
Share Awards	1,338	-
At 31 December	<u>7,254</u>	<u>9,726</u>

All deferred tax liabilities were available for offset against deferred tax assets arising in the same jurisdiction.

The movement in deferred tax assets and liabilities during the period is shown below:

	Provisions £'000	Fair value gains/ (losses) £'000	Share awards £'000	Other £'000	Total £'000
At 1 January 2005	3,741	(1,418)	2,543	(140)	9,726
Credited/(charged) to income statement	(3,741)	-	3,513	-	(5,228)
Tax charged to equity	-	1,418	1,338	-	2,756
At 31 December 2005	<u>-</u>	<u>-</u>	<u>7,394</u>	<u>(140)</u>	<u>7,254</u>

The deferred tax asset due after one year is £1,347,000 (2004: £1,060,000).

8. TRADE AND OTHER RECEIVABLES

	2005 £'000	2004 £'000
Amounts owed by group undertakings	50,182	187,823
Other debtors	448	1,023
	<u>50,630</u>	<u>188,846</u>

Amounts owed by group undertakings at 31 December 2004 included £141,844,000 in respect of a loan note. In January 2005 the company agreed with the issuers to redeem the loan note with effect from 1 January 2005.

BENFIELD HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

9. TRADE AND OTHER PAYABLES

	2005 £'000	2004 £'000
Amounts due to group undertakings	225,930	189,074
Other creditors and accruals	4,798	10,044
	<u>230,728</u>	<u>199,118</u>

10. BORROWINGS

	2005 £'000	2004 £'000
Unsecured bank loans		
Current	14,381	24,987
Non-current	-	13,625
Other		
Bank overdraft	25	-
	<u>14,406</u>	<u>38,612</u>

The Group had the following undrawn committed floating rate borrowing facilities available at 31 December 2005 in respect of which all conditions precedent had been met:

	2005 £'000	2004 £'000
Unsecured facilities expiring in less than 1 year	50,000	-
Unsecured facilities expiring in less than 2 years	-	50,000
	<u>50,000</u>	<u>50,000</u>

The bank loan facilities comprise of a £75 million term loan facility, which was repayable in instalments between 18 December 2003 and 18 June 2006, and a £50 million revolving loan facility, which is also available until 18 June 2006. The rate of interest payable on the term loan and the revolving loan fluctuated in line with the current LIBOR rate, plus a margin. This facility was repaid and a new agreement entered into on 31 March 2006. The new facilities comprise a £100m multicurrency revolving loan facility and expires on 31 March 2011.

The fair value of bank loans reflects the loan principal of US\$25 million and US\$75 million held at 31 December 2005 and 31 December 2004 respectively, adjusted for any unamortised arrangement fees.

11. PROVISIONS

Litigation and disputes

	Current £'000
At 1 January 2005	387
Charged to income statement	250
Utilised in year	(121)
At 31 December 2005	<u>516</u>

BENFIELD HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

In the ordinary course of the Group's business it can be subject to claims for alleged errors and omissions made in connection with its broking activities. The Group has recognised provisions in respect of claims for errors and omissions and other legal disputes, together with anticipated legal costs to the extent that any liabilities that arise from such exposures are deemed probable. Where appropriate, provisions are recorded gross and a separate asset is established to reflect anticipated recoveries under Group insurance policies.

Due to the differing nature and circumstances of these liabilities it is not possible to make an overall assessment of when such liabilities are likely to result in a payment being made, if at all.

12. SHARE CAPITAL

	2005 £'000	2004 £'000
Authorised		
141,173,300 Ordinary shares of 1p each	<u>1,412</u>	<u>1,412</u>
Allotted, called up and fully paid		
141,173,300 Ordinary shares of 1p each	<u>1,412</u>	<u>1,412</u>

13. STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

	Share capital £'000	Share Premium £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
As previously presented under UK GAAP	1,105	120,739	10,263	3,694	25,631	157,738
Adjustments on transition to IFRS (note 1)	-	-	-	3,694	10,415	14,109
Restatement in accordance with IAS 8 (note 15)	307	-	-	-	(307)	-
At 1 January 2004	1,412	120,739	10,263	3,694	35,739	171,847
Retained loss for the year	-	-	-	-	(27,434)	(27,434)
Revaluation of available-for-sale assets	-	-	-	(484)	-	(484)
Deferred tax on available-for-sale assets	-	-	-	99	-	99
At 31 December 2004	1,412	120,739	10,263	3,309	8,305	144,028
Retained loss for the year	-	-	-	-	(110)	(110)
Revaluation of available-for-sale assets	-	-	-	(4,727)	-	(4,727)
Deferred tax on available-for-sale assets	-	-	-	1,418	-	1,418
Deferred tax on share awards	-	-	-	-	1,338	1,338
At 31 December 2005	<u>1,412</u>	<u>120,739</u>	<u>10,263</u>	<u>-</u>	<u>9,533</u>	<u>141,947</u>

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14. CASH FLOW FROM OPERATING ACTIVITIES

Reconciliation of operating profit to net cash inflow from operating activities:

	2005 £'000	2004 £'000
Continuing operations		
Loss for the financial year	(110)	(27,434)
Adjusted for:		
Taxation	4,897	2,003
Loss on disposal of subsidiary operation	-	18,679
Gain on available for sale financial asset	(4,537)	(1,380)
Gain on disposal of derivative financial instrument	-	(994)
Interest income	(31,583)	(6,479)
Investment income	(2,634)	(412)
Interest expense	5,356	3,463
Decrease in trade and other receivables	28,879	2,240
(Decrease)/increase in payables	(10,523)	8,332
Increase/(decrease) in provisions	129	(3,399)
Exchange translation differences	2,968	(3,673)
Cash generated from operations	(7,158)	(9,054)

15. RESTATEMENT

Following a review of the accounting treatment of the company's court approved scheme of arrangement in October 2002, an error was identified in the nominal value of share capital. Under the scheme of arrangement the Company's existing share capital was cancelled and the reserve created used to issue new shares to Benfield Group Limited, thereby creating a new ultimate holding company for the group. This process involved issuing more shares than previously existed and therefore an amount equal to the increase in the nominal value should have been transferred from retained earnings to share capital. In accordance with IAS 8, the correction of this prior year error has been applied to the relevant years. This correction has no impact on shareholders equity.

16. ULTIMATE PARENT COMPANY

The ultimate parent company and controlling party is Benfield Group Limited, a company incorporated in Bermuda, which is the parent undertaking of the largest and smallest group to consolidate these financial statements. Copies of the consolidated financial statements of Benfield Group Limited can be obtained from the Company Secretary at 55 Bishopsgate, London, EC2N 3BD.