

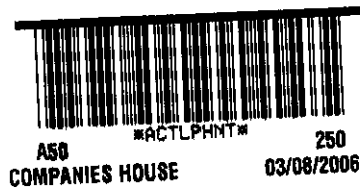
# **HARDY INSURANCE SERVICES LIMITED**

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## **ANNUAL REPORT**

### **YEAR ENDED 31 DECEMBER 2005**

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(Company Number 3075206)



# **HARDY INSURANCE SERVICES LIMITED**

## **ANNUAL REPORT YEAR ENDED 31 DECEMBER 2005**

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# HARDY INSURANCE SERVICES LIMITED

## DIRECTORS' REPORT

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

### Activities and Business Review

With effect from 31 December 2002 the company ceased to take on any new business and its ongoing activities were assumed by Hardy (Underwriting Agencies) Limited.

The profit before tax was £901 (2004: loss £179,965). Administrative expenses for the period were £31 (2004: £15).

### Dividends

The directors do not propose the payment of a dividend (2004: £nil).

### Directors

The details of the directors who served in the period are as follows:

PW Hardy	Chairman (retired 30/04/06)
AJ Walker	(Appointed Chairman 30/04/06)
Ms BJ Merry	CEO
TP Griffin	
MC Holmes	
J D MacDiarmid	
L Santambrogio	Non-executive
MTA Sugden	

Hardy Insurance Services Limited is a wholly owned subsidiary of Hardy Underwriting Group plc ('HUG') and the directors have the following interests in the shares of that company:

	1 January 2005 Ordinary Shares	31 December 2005 Ordinary Shares
PW Hardy	2,664,838	375,000
BJ Merry	25,678	147,428
TP Griffin	16,335	20,175
MC Holmes	3,778	7,618
JD MacDiarmid	3,308	7,148
L Santambrogio	-	-
MTA Sugden	3,778	7,618
AJ Walker	57,333	112,558



# HARDY INSURANCE SERVICES LIMITED

## DIRECTORS' REPORT (continued)

The following options have been granted to acquire HUG shares under the HUG approved and unapproved share option schemes:

Directors		Number of options			Exercise Price	Market price at exercise date	Issue Date
		1 January 2005	Granted	Exercised	31 December 2005		
PW	Hardy	7,272	-	-	7,272	1.375	29/03/1999 Unapproved
TP	Griffin	4,776	-	-	4,776	1.675	24/04/2002 Approved
TP	Griffin	5,747	-	-	5,747	2.175	01/07/2003 Approved
TP	Griffin	3,823	-	-	3,823	2.485	31/03/2004 Approved
TP	Griffin	1,207	-	-	1,207	2.485	31/03/2004 Approved
MC	Holmes	3,922	-	3,922	-	1.275	04/04/2001 Approved
MC	Holmes	2,985	-	2,985	-	1.675	2.12 24/04/2002 Approved
MC	Holmes	3,448	-	-	3,448	2.175	01/07/2003 Approved
MC	Holmes	3,018	-	-	3,018	2.485	31/03/2004 Approved
JD	Macdiarmid	10,060	-	-	10,060	2.485	31/03/2004 Approved
BJ	Merry	17,910	-	17,910	-	1.675	2.13 14/01/2002 Approved
BJ	Merry	132,090	-	-	132,090	1.675	14/01/2002 Unapproved
BJ	Merry	11,494	-	-	11,494	2.175	01/07/2003 Unapproved
BJ	Merry	10,060	-	-	10,060	2.485	31/03/2004 Unapproved
MTA	Sugden	7,843	-	-	7,843	1.275	04/04/2001 Approved
MTA	Sugden	5,970	-	-	5,970	1.675	24/04/2002 Unapproved
MTA	Sugden	6,897	-	-	6,897	2.175	01/07/2003 Unapproved
MTA	Sugden	7,042	-	-	7,042	2.485	31/03/2004 Unapproved
AJ	Walker	7,463	-	-	7,463	1.675	25/04/2002 Approved
AJ	Walker	3,448	-	-	3,448	2.175	01/07/2003 Approved
AJ	Walker	8,046	-	-	8,046	2.175	01/07/2003 Unapproved
AJ	Walker	10,060	-	-	10,060	2.485	31/03/2004 Unapproved
		274,581	-	24,817	249,764		

During the year aggregate gains made by the above directors on the exercise of share options amounted to £12,791.

Options issued under the approved scheme are exercisable up to the tenth anniversary of their grant.

Options issued under the unapproved scheme are exercisable up to the seventh anniversary of their grant.

Options are not normally exercisable before the third anniversary of the date of grant.

The mid market price of HUG shares at the year end was £2.24 (2004: £2.33) and the high and low prices during the year were £2.33 and £1.90.

### Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing the re-appointment of KPMG Audit Plc as auditors of the Company will be put to the Annual General Meeting.

By order of the Board

Lloyd's  
Lime Street  
London EC3M 7DQ

  
**T HUTCHINGS**  
Company Secretary

28 June 2006



## **HARDY INSURANCE SERVICES LIMITED**

### **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 period.

In preparing these 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 UK 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 keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## **HARDY INSURANCE SERVICES LIMITED**

### **Independent auditors' report to the member of Hardy Insurance Services Limited**

We have audited the financial statements of Hardy Insurance Services Limited for the year ended 31 December 2005 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.

This report is made solely to the company's member, 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 member 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 member 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 in the Statement of Directors' Responsibilities on page 4, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK 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 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**

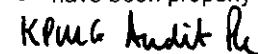
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

  
**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor  
8 Salisbury Square  
London EC4Y 8BB  
28 June 2006



# HARDY INSURANCE SERVICES LIMITED

## PROFIT AND LOSS ACCOUNT YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £	2004 £
Turnover	2	-	(180,423)
Administrative expenses	3	(31)	(15)
Operating (loss) / profit		<u>(31)</u>	<u>(180,438)</u>
Interest & similar income		<u>932</u>	<u>473</u>
Profit / (loss) on ordinary activities before taxation		901	(179,965)
Taxation	4	<u>(271)</u>	<u>60,590</u>
Profit / (loss) on ordinary activities after taxation		<u>630</u>	<u>(119,375)</u>

The company had no recognised gains or losses other than those in the profit and loss account.

All profits and losses relate to discontinued operations.



# HARDY INSURANCE SERVICES LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2005

	Notes	2005 £	2004 £
CURRENT ASSETS			
Debtors	5	53,990	362,698
Cash at bank		<u>21,397</u>	<u>20,418</u>
		75,387	383,116
CREDITORS: amounts falling due within one year:	6	(111,816)	(420,175)
NET ASSETS		<u>(36,429)</u>	<u>(37,059)</u>
CAPITAL AND RESERVES			
Called up share capital	7	100	100
Profit and loss account		(36,529)	(37,159)
Equity shareholders' funds	8	<u>(36,429)</u>	<u>(37,059)</u>

The financial statements were approved by the Board on 28 June 2006.



BJ MERRY  
Director



JD MACDIARMID  
Director



# HARDY INSURANCE SERVICES LIMITED

## NOTES AND ACCOUNTING POLICIES

### 1. ACCOUNTING POLICIES

- (a) The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Under Financial Reporting Standard 1 (revised 1996), the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the results of this company in its own published consolidated financial statements.

- (b) Interest income is recognised when receivable.
- (c) Overhead expenses are recognised as incurred.
- (d) Consortium results are accounted for on an accruals basis.

### 2. TURNOVER

Turnover comprises amounts derived from a consortium arrangement between syndicate 382 and another Lloyd's syndicate.

	2005 £	2004 £
Consortium income recognised in period	-	(180,423)
	<u>-</u>	<u>(180,423)</u>

All turnover derives from activities in the United Kingdom.

### 3. ADMINISTRATIVE EXPENSES

	2005 £	2004 £
Other expenses	31	15
	<u>31</u>	<u>15</u>

All audit costs are borne by the holding company, Hardy Underwriting Group plc.



# HARDY INSURANCE SERVICES LIMITED

## NOTES AND ACCOUNTING POLICIES (continued)

### 4. TAXATION

	2005 £	2004 £
Current tax:		
UK corporation tax on profit for the year at 30% (2004: 30%)	270	(53,990)
Adjustments in respect of prior period	1	(6,600)
Total current tax	<u>271</u>	<u>(60,590)</u>
Factors affecting tax charge for period:		
Profit / (loss) on ordinary activities before tax	901	(179,965)
Multiplied by standard rate of UK corporation tax @ 30%	270	(53,990)
Effects of adjustments in respect of prior period	1	(6,600)
	<u>271</u>	<u>(60,590)</u>

### 5. DEBTORS

	2005 £	2004 £
Amounts due from Group undertakings	53,990	308,708
Other debtors	-	53,990
	<u>53,990</u>	<u>362,698</u>

There are no amounts falling due beyond one year.

### 6. CREDITORS

	2005 £	2004 £
Corporation tax	270	-
Other creditors	53,336	273,752
Amounts owed to Group undertakings	58,210	146,423
	<u>111,816</u>	<u>420,175</u>

There are no amounts falling due beyond one year.



# HARDY INSURANCE SERVICES LIMITED

## NOTES AND ACCOUNTING POLICIES (continued)

### 7. CALLED UP SHARE CAPITAL

	2005 £	2004 £
Authorised, allotted and fully paid 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

### 8. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2005 £	2004 £
Profit / (loss) for the financial year	630	(119,375)
Shareholders' funds at 1 January	(37,059)	82,316
Shareholders' funds at 31 December	<u>(36,429)</u>	<u>(37,059)</u>

### 9. RELATED PARTIES

As a wholly owned subsidiary of Hardy Underwriting Group plc, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with companies which form part of the Group. All relevant disclosures are made in the financial statements of Hardy Underwriting Group plc.

### 10. PARENT COMPANY

Copies of the financial statements of Hardy Underwriting Group plc, a company registered in England and Wales, which is the smallest and largest Group into which the results of the company are consolidated, may be obtained from the registered office of the company at 1 Lime Street, London, EC3M 7DQ.