

**COTESWORTH CAPITAL LIMITED**  
**(In Provisional Liquidation)**

**REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2005**

**Registered No: 3265777**



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Directors

N W Britten  
G Davies  
B G Devereese  
H G Simons

Company Secretary

W Scott

Registered Office

8 Salisbury Square  
London EC4Y 8BB

Bankers

Barclays Bank plc  
54 Lombard Street  
London EC3V 9EX

Auditors

CLB Littlejohn Frazer  
Chartered Accountants and  
Registered Auditors  
1 Park Place  
Canary Wharf  
London E14 4HJ

Joint Provisional Liquidators

T A Riddell and J M Wardrop  
KPMG LLP  
8 Salisbury Square  
London EC4Y 8BB

The directors present their report together with the accounts for the 12 months ended 31 December 2005 which contain the results of various underwriting Years of Account in run-off. The accounts have been prepared using the format for insurance companies and reflect the company's participations in its underlying Lloyd's syndicates.

#### **Change of Reporting Basis**

The underwriting results of the syndicates on which the company participates, have been determined on the annual basis of accounting. As a result the company has changed its accounting policy to account for its underwriting participations on an annual accounting basis from a three year fund accounting basis. This represents a fundamental change in reporting basis and has been treated as a prior year adjustment in the accounts.

#### **Change of Accounting Reference Date**

At 31 December 2004, the Company changed its accounting reference date and extended its current accounting period to 31 December 2004. Accordingly these accounts present the comparative results of the Company for the eighteen months ended 31 December 2004 and the position as at 31 December 2004.

#### **Results and Dividends**

The loss for the period before and after taxation was £1,026,000 (2004 -£5,891,000 profit).

No dividend has been declared on the current results.

#### **Review of the Business and Principal Activity and Future Developments**

The principal activity of the company in the period under review was that of a corporate underwriting member of Lloyd's. The company was placed in provisional liquidation on 28 September 2001 following the collapse of its ultimate parent undertaking HIH Insurance Limited. The accounts have therefore not been prepared on a going concern basis.

The company's underwriting capacity and allocation thereof is as shown below:

<b>Syndicate Number</b>	<b>1997 Year of Account £'000</b>	<b>1998 Year of Account £'000</b>	<b>1999 Year of Account £'000</b>	<b>2000 Year of Account £'000</b>	<b>2001 Year of Account £'000</b>
228	1,000	5,000	19,522	31,917	-
535	11,500	24,500	26,716	53,330	73,058
536	1,000	3,500	24,690	-	-
1069	1,000	16,000	24,365	32,504	-
1688	-	-	65,000	75,000	82,500
<b>Total</b>	<b>14,500</b>	<b>49,000</b>	<b>160,293</b>	<b>192,751</b>	<b>155,558</b>

The results for the period are shown on pages 9 to 12.

**Director's Interests**

The following served as directors from 1 January 2005 to the date of this report unless shown otherwise. None of the directors and their families had an interest in the issued share capital of the company. The interests of the directors and their families in the issued share capital of HHH European Holding Company Limited were as follows:

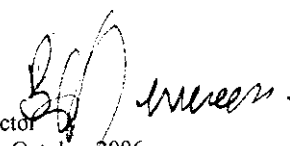
	<b>HHH European Holding Company Limited</b>			<b>HHH European Holding Company Limited</b>		
	<b>31 December 2005</b>			<b>31 December 2004</b>		
	C1 Shares of 1p each	C2 Shares of 1p each	B Series Loan Notes	C1 Shares of 1p each	C2 Shares of 1p each	B Series Loan Notes
N W Britten	44,833	44,833	-	44,833	44,833	-
G Davies	44,833	44,833	-	44,833	44,833	-
B G Devereese	44,833	44,833	-	44,833	44,833	-
H G Simons	-	-	-	-	-	-

The company has no employees.

**Auditors**

CLB Littlejohn Frazer are the Company's auditors.

Signed on behalf of the board.

Director   
 20/10 October 2006

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

Select suitable accounting policies and then apply them consistently;

Make judgements and estimates that are reasonable and prudent;

State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;

As explained in note 1 to the accounts, the directors do not believe the going concern basis to be appropriate and these accounts have not been prepared on that basis.

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 accounts 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 the Report of the Directors is prepared in accordance with company law in the United Kingdom.

The directors cannot confirm that the accounts comply with the above requirements.

Subsequent to joint provisional liquidators being appointed, the directors are no longer responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enabling them to ensure that the accounts comply with the Companies Act 1985. At the same time they ceased to be responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention of fraud and other irregularities.

**Independent Auditors' report to the shareholders of Cotesworth Capital Limited (In Provisional Liquidation)**

We have audited the Accounts of Cotesworth Capital Limited (in Provisional Liquidation) for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Accounting Policies and the related notes 1 to 14. These Accounts have been prepared under the accounting policies set out therein.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective Responsibilities of Directors and Auditors**

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

Our responsibility is to audit the Accounts 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 Accounts 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 Accounts, 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 within it.

**Basis of Opinion**

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

We planned 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 Accounts are free from material misstatement, whether caused by fraud or other irregularity or error. However, with respect to intercompany balances no independent confirmations are available. We were unable to obtain sufficient audit evidence concerning the intercompany balances.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Accounts.

**Opinion: disclaimer on view given by accounts**

As described in notes 1 and 2, the Company has been placed in provisional liquidation, and although provisions have been made to meet the future costs and underwriting losses it is uncertain whether these will be sufficient to meet all such costs and losses. In addition, the underwriting years supported by the Company are in run-off. Any successor reinsurers assessment of the premium required to close these years of account may be materially different from the current estimates included in these accounts.

We have not been able to verify inter-company balances or the accuracy of the provision for non-recovery of amounts due from group entities made in 2001, as the other group members from whom and to whom the monies were owed have gone into liquidation and no final accounts have been prepared for these companies for the year ended 30 June 2001 and subsequently.

**Opinion: disclaimer on view given by accounts (Continued)**

We have not been able to conclude on the accuracy of the balances brought forward from the 2004 accounts due to the uncertainties affecting the 2004 accounts.

Contrary to the provisions of Schedule 9A of the Companies Act 1985, the Accounts of the Company do not include in respect of the Company's Lloyd's participation a number of disclosures including segmental information, and an analysis of investments. These omissions do not have any affect on either the result for the period shown in the Profit and Loss Account, nor on the net liabilities of the Company as shown in the Balance Sheet. Also, as a result of these omissions, the Accounts have not been prepared in accordance with the recommendations of the Statement of Recommended Practice on Accounting for Insurance Business as issued by the Association of British Insurers in 2005.

In view of the provisional liquidation of the Company, the Directors are unable to confirm that the Financial Statements have been prepared in accordance with the requirements set out on page 6.

Because of the fundamental nature of the matters and omissions described above, we are unable to form an opinion as to whether the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 or of its loss for the year then ended. In addition, in view of the nature of the matters and omissions described above, we are unable to form an opinion as to whether the accounts have been prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to inter-company balances:

We have not obtained all the information that we considered necessary for the purpose of our audit and we were unable to determine whether proper accounting records had been maintained.

*CLB Littlejohn Frazer*

**CLB Littlejohn Frazer**

Chartered Accountants  
and Registered Auditors

1 Park Place  
Canary Wharf  
London E14 4HJ

30 October 2006



	Note	Year ended 31 December 2005 £'000	Period ended 31 December 2004 £'000 (restated)
<b>Technical Account – General Business</b>			
Gross premiums written		873	11,564
Outward reinsurance premiums		1,174	(3,703)
		<hr/> 2,047	<hr/> 7,861
Change in provision for unearned premium			
- gross amount		610	1,201
- reinsurers' share		(2,549)	(1,784)
		<hr/> 108	<hr/> 7,278
<b>Earned premiums, net of reinsurance</b>			
Allocated investment return transferred from the non - technical account		4,464	6,514
Claims paid			
- gross amount		(63,110)	(101,142)
- reinsurers' share		14,399	37,203
		<hr/> (48,711)	<hr/> (63,939)
Change in the provision for claims			
- gross amount		44,960	124,449
- reinsurers' share		(1,553)	(62,893)
		<hr/> 43,407	<hr/> 61,556
<b>Claims incurred, net of reinsurance</b>			
		<hr/> (5,304)	<hr/> (2,383)
<b>Net operating expenses</b>			
Administrative expenses		(294)	(4,859)
<b>Balance on the technical account</b>			
		<hr/> (1,026)	<hr/> 6,550

The Company has ceased to trade and is currently running off its activities.

The Accounting Policies and Notes on pages 13 to 18 form an integral part of these accounts

	Note	Year ended 31 December 2005 £'000	Period ended 31 December 2004 £'000 (restated)
<b>Non – Technical Account</b>			
<b>Balance Transferred from General Business Technical Account</b>		(1,026)	6,550
Investment income	3	5,296	9,285
Net unrealised gains/(losses) on investments		(733)	(2,625)
Investment expenses and charges		(99)	(92)
Allocated investment return transferred to the general business technical account		(4,464)	(6,514)
Other charges	4	-	(713)
<b>(Loss)/Profit on Ordinary Activities before Taxation</b>	5	<u>(1,026)</u>	<u>5,891</u>
Tax on (loss)/profit on ordinary activities	6	-	-
<b>(Loss)/Profit for the Period</b>		<u>(1,026)</u>	<u>5,891</u>
<b>Statement of Recognised Gains and Losses</b>			
Profit/(Loss) for the Financial Period		<u>(1,026)</u>	<u>5,891</u>
Total Recognised Gains and Losses relating to the year		(1,026)	<u>5,891</u>
Prior year adjustment	7	(922)	
Total Gains and Losses Recognised since last accounts		<u>(1,948)</u>	

The Company has ceased to trade and is currently running off its activities.

The Accounting Policies and Notes on pages 13 to 18 form an integral part of these accounts.

**COTESWORTH CAPITAL LIMITED**  
**(In Provisional Liquidation)**

**BALANCE SHEET**  
**At 31 December 2005**

	Note	Year ended 31 December 2005 £'000	Period ended 31 December 2004 £'000 (restated)
<b>ASSETS</b>			
<b>Investments</b>		118,156	146,484
<b>Reinsurers' share of technical provisions</b>		78,373	75,404
<b>Debtors</b>			
Debtors arising out of direct insurance operations		4,295	7,867
Debtors arising out of reinsurance operations		31,551	28,363
Other debtors	8	10,320	12,308
		<hr/> 46,166	<hr/> 48,538
<b>Other assets</b>			
Cash at bank and in hand		11,900	11,119
Other assets		870	389
		<hr/> 12,770	<hr/> 11,508
<b>Total assets</b>		<hr/> 255,465	<hr/> 281,934

The Accounting Policies and Notes on pages 13 to 18 form part of these accounts.


**COTESWORTH CAPITAL LIMITED**  
(In Provisional Liquidation)

**BALANCE SHEET**  
At 31 December 2005

	Note	Year ended 31 December 2005 £'000	Period ended 31 December 2004 £'000 (restated)
<b>LIABILITIES</b>			
<b>Capital and reserves</b>			
Called up share capital	9	18,250	18,250
Profit and loss account		(330,919)	(329,893)
<b>Shareholder's funds</b>	10	<u>(312,669)</u>	<u>(311,643)</u>
<b>Technical provisions</b>			
Claims outstanding		253,893	277,779
<b>Creditors</b>			
Creditors arising out of direct insurance operations		106	254
Creditors arising out of reinsurance operations		632	3,876
Run-off costs provision		545	500
Other creditors	11	312,958	311,168
		<u>314,241</u>	<u>315,798</u>
<b>Total liabilities</b>		<u>255,465</u>	<u>281,934</u>

The Accounting Policies and Notes on pages 13 to 18 form part of these accounts

Signed on behalf of the board

  
B Devoreese  
Director

30th October 2006

## **1. Accounting policies**

### ***Basis of preparation***

The accounts of the company for the current year have been prepared in accordance with the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985, which cover the disclosures applicable to insurance companies. As a result the accounts include the company's share of all income, expenses, assets and liabilities of the underlying syndicates on which it participates.

The accounts have been prepared in accordance with applicable accounting standards and the recommendations of the Statement of Recommended Practice issued by the Association of British Insurers in December 2005.

These accounts have not been prepared on a going concern basis for the reasons stated in note 2. Therefore the assets of the company have been recorded at their expected realisable value and liabilities at the amount they are expected to settle at. The Company made a provision for run-off costs amounting to £1,000,000 at 30 June 2003. In the year ended 31 December 2005 £60,000 (2004 - £500,000 charged) of costs were recovered and credited against the provision leaving a balance of £560,000 carried forward at 31 December 2005. Further, Lloyd's of London has agreed to meet certain costs of the Company while in provisional liquidation.

It is uncertain whether the provision for future costs will be sufficient to meet all future costs of the Company.

Estimates of losses arising from the Company's participation on the Syndicates have been based on the latest available information. Some years of account are still in run-off and under Lloyd's Syndicate accounting rules must be closed into another Lloyd's Syndicate. Any such successor reinsurers assessment may well materially differ from the current estimates included in these accounts. The eventual outcome of the years of account therefore remains uncertain, the effect of any over or under estimate will be included in future accounts.

The information contained in the technical account has been extracted from Syndicate Returns to 31 December 2005, 2004 and 2003 and the Interim Annual Accounting Return to 30 June 2003. No segmental information or analysis of investments has been given. Accordingly the accounts do not fully comply with Schedule 9A of the Companies Act 1985.

### ***Change in reporting basis***

The underwriting results are determined on an annual accounting basis. This represents a fundamental change in reporting basis. Previously results were determined on a three year funded basis whereby each underwriting year of account is normally kept open for three years and the result ascertained at the end of the third year when the account is closed by reinsurance or goes into run-off. Under the three year funded basis no accrual was made on open years for income or expenses that were incurred but had not settled except for underwriting losses which were recognised immediately.

In June 2003 the EU Insurance Accounts Directive ("the Directive") was amended so that syndicates were no longer able to prepare accounts on a three year funded basis. Instead, the Directive now provides a framework that allows Lloyd's to move to annual accounting for all aspects of reporting and the amendments to the Directive have been implemented in the UK by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004. The move to annual accounting brings reporting at Lloyd's in line with the rest of the insurance market and improves the transparency of syndicate results. Under the annual basis of accounting a result is determined at the end of each accounting period reflecting the profit or loss from providing insurance coverage during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods. The comparative figures have been changed to reflect this new reporting basis.

### ***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 costs 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 in respect of that year.

The directors consider that the likelihood of such a failure of the reinsurance to close is remote and consequently the reinsurance to close has been deemed to settle 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.

***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 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 of that year remains with the corporate member participating therein.

***Premiums***

Gross premiums written comprise the premiums on risks entered into during the accounting period regardless of whether they relate to the actual period. It also includes adjustments to premiums written in prior accounting periods and will include estimates of premiums due. Written premiums are stated gross of commission payable to intermediaries and exclude taxes, duties levied and other deductions.

***Claims***

Claims outstanding represents the ultimate cost of settling all claims (including direct and indirect claims settlement costs) arising from events which have occurred up to the balance sheet date including a provision for claims incurred but not yet reported less any amounts paid in respect of these liabilities. Claims outstanding are reduced by anticipated salvage and other recoveries.

The movement in claims provision charged to the profit and loss account is a composite figure comprising actual movement in claims provision; movement in reinsurance to close and run-off reserves; and expenses accrued charged to the years of account in run off.

The provision is based on the returns and reports from the Managing Agent. Where appropriate, statistical methods have been applied to past experience of claims frequency and severity.

The ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the sums provided.

***Investments***

***Investment valuations***

Investments are stated at current value, including accrued interest at the balance sheet date.

***Investment income, expenses and charges***

Investment income includes dividends and interest; investment expenses and charges includes losses on the realisation of investments and related expenses. Dividends are recorded on the date on which the shares are quoted ex-dividend and include the imputed tax credits. Interest and expenses are accounted for on an accruals basis.

Realised gains and losses on investments are calculated as the difference between net sales proceeds and purchase price or, if previously valued, the valuation at the last balance sheet date. Unrealised gains and losses which represent the movement in accumulated unrealised gains and losses are taken directly to the technical account.

***Deferred tax***

No deferred tax asset has been recognised as the company has ceased underwriting and consequently has no future profits to utilise such an asset.

***Foreign currencies***

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

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

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

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

***Related party transactions***

The company had no related party transactions in the period.

**2. Provisional liquidation**

As a result of the underwriting losses expected to be incurred by the company, the directors of the company were of the opinion that the company was unable to meet its liabilities as they fell due. On 28 September 2001 an order was made by the courts to place the company in provisional liquidation. Messrs T A Riddell and J M Wardrop were appointed provisional liquidators.

**3. Interest receivable**

	2005 £'000	2004 £'000
Interest receivable	<u>5,296</u>	<u>9,285</u>

**4. Other charges**

	2005 £'000	2004 £'000
Provision for run-off costs	<u>-</u>	<u>713</u>

No emoluments were paid to, or waived by the directors.

Fees payable to the syndicate auditor are borne by the syndicate and charged against the relevant year of account.

**5. (Loss)/Profit on ordinary activities before taxation**

This is stated after charging:

	2005 £'000	2004 £'000
Auditors' remuneration - audit	<u>10</u>	<u>9</u>

This item has been charged against the provision for run-off costs.

## 6. Taxation

Due to the availability of tax losses brought forward no taxation charge arises on the result for the period.

Due to the significant losses incurred by the Company there are losses of approximately £300 million available for carry forward against future trading profits.

No deferred tax asset arising in respect of any unrelieved trading losses has been provided, as it is unlikely that the Company will be able to use these losses against future profitable activities.

## 7. Change of accounting policies and prior year adjustment

As described in the accounting policies, the basis of accounting has been changed from the three year fund basis to the annual basis, resulting in changes to a number of accounting policies. The principal differences between the annual basis and the three year fund basis concern relates to the recognition of underwriting results for particular years of account. Prior period amounts in the profit and loss account and balance sheet have been restated to reflect these changes in accounting policies. The impact on profit and loss reserves at 31 December 2004 is as follows:

	£'000
As previously stated	(328,971)
Prior year adjustment	(922)
As restated	<u>(329,893)</u>

## 8. Debtors

	2005 £'000	2004 £'000
Amounts due from group entities	-	-
Other	<u>10,320</u>	<u>12,308</u>
	<u>10,320</u>	<u>12,308</u>

Amounts due from group entities amounting to £17,504,000 (2004 - £17,504,000) have been fully provided for as the companies are in insolvency proceedings.

## 9. Called-up share capital

	2005 £	2004 £	2005 £	2004 £
	Authorised		Allotted, called-up and fully paid	
Ordinary 'A' voting shares of £1 each	100	100	100	100
Ordinary 'B' Non voting shares of £1 each	<u>18,250,000</u>	<u>18,250,000</u>	<u>18,250,000</u>	<u>18,250,000</u>
	<u>18,250,100</u>	<u>18,250,100</u>	<u>18,250,100</u>	<u>18,250,100</u>

Only 'B' non-voting shares have rights to dividends. On a division of assets on winding-up, the amount available for distribution amongst the shareholders would be applied first in repayment of nominal value to the holders of the 'A' voting shares. The balance of the assets would be divided among the holders of the 'B' non-voting shares. All shares are non-redeemable.



**10. Reconciliation of movements in shareholders' funds**

	<b>31 December 2005 £'000</b>	<b>31 December 2004 £'000</b>
(Loss)/Profit for the period	(1,026)	5,891
Opening shareholders' funds as restated	<u>(311,643)</u>	<u>(317,534)</u>
Closing shareholders' funds	<u>(312,669)</u>	<u>(311,643)</u>

**11. Creditors**

	<b>31 December 2005 £'000</b>	<b>31 December 2004 £'000</b>
Inter-company loan	11,001	11,001
Other creditors	<u>301,957</u>	<u>300,167</u>
	<u>312,958</u>	<u>311,168</u>

Cotesworth Capital Limited provided security to Lloyd's, under the terms of the Lloyd's Deposit and Security Trust Deeds, in order to support the business underwritten by the underlying syndicates.

Cash calls to date on syndicate open and run-off accounts have, in part, been funded by means of drawdown on Letters of Credit deposited at Lloyd's and from the Lloyd's New Central Fund. The Lloyd's New Central Fund has given an undertaking to fund up to £244.5 million of any unpaid cash calls made prior to 1 April 2006. It is anticipated that the Lloyd's New Central Fund will give further undertakings in respect of any cash calls made after 1 April 2006.

The amounts included in other creditors are as follows:

	<b>31 December 2005</b>	<b>31 December 2004</b>
Letter of Credit draw downs	110,000	110,000
Lloyd's New Central Fund	<u>178,394</u>	<u>178,394</u>
	<u>288,394</u>	<u>288,394</u>

The amounts originally deposited by Cotesworth Capital Limited as security to Lloyd's under the terms of the Lloyd's Deposit and Security Trust Deeds and the analysis of draw downs thereon is as follows:

	<b>Original Deposit at Lloyd's £'000</b>	<b>Draw-downs to date £'000</b>
Letter of Credit - issued by HSBC	25,842	25,842
Letter of Credit - issued by Societe Generale	30,000	30,000
Letter of Credit - issued by Westpac Banking Corporation	<u>54,158</u>	<u>54,158</u>
	<u>110,000</u>	<u>110,000</u>

## 12. Cash Flow Statement

The Company has no control over the disposition of assets and liabilities at Lloyd's.

The only cash transactions in the year all arise from the Company's operating activities and represent the recovery of amounts totalling £957,761, including a small amount of interest and legal fees funding of £798,639 from Lloyd's of London, and the payment of expenses totalling £880,634, leaving a cash balance of £145,358 (2003: £68,231) held by the Company. No cash flow statement has been presented.

## 13. Parent Company

The immediate parent undertaking is Cotesworth Holdings Limited, incorporated in Great Britain and registered in England and Wales. Cotesworth Holdings Limited was placed into liquidation on 26 September 2001. Accordingly no financial statements have been prepared for the year ended 30 June 2001 or subsequent years.

The company's intermediate parent undertaking is HIH European Holding Company Limited, incorporated in Great Britain and registered in England and Wales. This company was placed into liquidation on 29 October 2001. Accordingly no financial statements have been prepared for the year ended 30 June 2001 or subsequent years.

The ultimate parent undertaking is HIH Insurance Limited, which was placed into liquidation in Australia on 27 August 2001. Accordingly no group consolidated financial statements are available for the year ended 30 June 2001 or subsequent years.

## 14. Assets and liabilities held by the Syndicates

The Balance Sheet includes the following assets and liabilities held by the Syndicates on which the Company participates as a Lloyd's corporate member. The assets are subject to trust deeds for the benefit of the Syndicate's insurance creditors.

	<b>2005</b>	<b>2004</b>
	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
		<b>(restated)</b>
<b>Assets</b>		
Investments	118,156	146,484
Reinsurers share of technical provisions	78,373	75,404
Debtors arising from reinsurance operations	31,551	28,363
Debtors arising from direct insurance operations	4,295	7,867
Other assets	870	389
Other debtors	10,319	12,209
Cash at bank	11,754	11,051
	<u>255,318</u>	<u>281,767</u>
<b>Liabilities</b>		
Technical provisions	253,893	277,779
Creditors arising out of direct insurance operations	106	254
Creditors arising from reinsurance operations	632	3,876
Other creditors	<u>13,515</u>	<u>11,657</u>
	<u>268,146</u>	<u>293,566</u>