

**CHARIOT (II) UNDERWRITING PLC**

**(Company Registration Number 3406789)**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2006**



## **CHARIOT (II) UNDERWRITING PLC**

### **DIRECTORS**

S L Tanner (Chairman)  
M L E Dowlen  
G J White (resigned 24 April 2007)

### **COMPANY SECRETARY**

Argenta Secretariat Limited

### **REGISTERED OFFICE**

8-9 The Avenue  
Eastbourne  
East Sussex BN21 3YA

### **LLOYD'S SPONSOR**

Humphrey & Co  
8-9 The Avenue  
Eastbourne  
East Sussex BN21 3YA

### **MEMBER'S AGENT**

Argenta Private Capital Limited  
Fountain House  
130 Fenchurch Street  
LONDON EC3M 5DJ

### **AUDITORS**

Humphrey & Co  
8-9 The Avenue  
Eastbourne  
East Sussex BN21 3YA

### **SOLICITORS**

Eversheds  
Senator House  
85 Queen Victoria Street  
London EC4V 4JL

### **BANKERS**

Coutts & Co  
440 Strand  
London WC2R 0QS

## **CHARIOT (II) UNDERWRITING PLC**

### **REPORT OF THE DIRECTORS**

#### **FOR THE YEAR ENDED 31 DECEMBER 2006**

The directors present their annual report together with the audited financial statements for the year ended 31 December 2006

#### **DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period 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 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,
- Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the company will continue in business

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

#### **ACTIVITIES AND BUSINESS REVIEW**

The company's principal activity is to participate in underwriting at Lloyd's on a limited liability basis. The Company ceased to write new business after 31 December 2005 and all capacity was sold at the 2005 auctions.

The 2004 syndicate year of account results, just declared, shows a final profit position of £43,600 representing 12.39% of underwriting capacity for that year, against a Lloyd's average of 10.36%.

The 2005 account is indicating a very credible result at closure. As in previous years, it looks as though the Company will again outperform the Lloyd's average, with the mid-range estimated result (at the 24 month stage) being a profit in the region of 6.08% of capacity (compared to a Lloyd's average loss of 6.14%). If the evidence of previous years is to go by, then we may well see a small improvement over the current estimate in the next twelve months. Once again, congratulations to our Lloyd's Advisor are in order.

In terms of our run-off years of account, we have no years open later than 2001. Furthermore, we are pleased to report that during the latest accounting period, four of our syndicate run-off years have closed, the combined result of which was to produce a surplus. We are satisfied at this stage that the current level of provisions being held against the remaining run-off years is sufficient to cater for our liabilities on those years.

## CHARIOT (II) UNDERWRITING PLC

### REPORT OF THE DIRECTORS

#### FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

The combination of underwriting transactions on all open years of account (i.e. 2005 and the run-offs) for the accounting period to 31<sup>st</sup> December, 2006, shows a profit of £24,016 (2005 – (£38,929)) During the period the deficit on shareholders' funds has reduced to £633,634 (2005 - £657,650) As long as our provisions for run-off years and expenses prove adequate (as in previous years), then we would hope that we may see a further modest improvement in the next twelve months

The Board recently, and reluctantly, accepted the resignation of Graham White as director of the Company. Graham was appointed to the position of Deputy Chairman of Lloyd's at the last Council of Lloyd's elections and he no longer feels able to commit the time necessary to the Company's affairs. He has also resigned from the other companies in the Chariot group. The Board wishes to acknowledge the important contribution Graham has made during his term of office and wishes him every success in his new and responsible role.

#### RESULTS AND DIVIDENDS

The profit for the year after taxation was £24,016 (2005 loss £38,929). The directors do not recommend the payment of a dividend.

#### DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY

The directors who held office during the period and their interests in the ordinary share capital of the parent company, Chariot Incorporated PLC, as at 31 December 2006 were as follows:

	<i>At 31 December 2006</i>	<i>At 1 January 2006</i>
M L E Dowlen	8,002	8,002
S L Tanner	25,000	25,000
G J White (resigned 24 April 2007)	5,002	5,002

No director had any beneficial interest in the loan stock of the parent company during the year.

No director had any beneficial interest in the share capital of the company during the year.

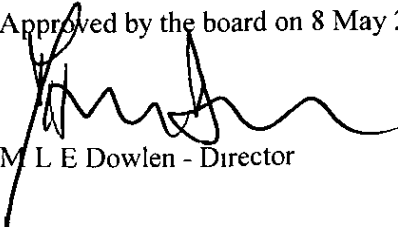
There have been no changes in the interests set out above between 31 December 2006 and the date of this report.

#### AUDITORS

Messrs Humphrey & Co, having signified their willingness to continue in office, will be proposed for re-appointment in accordance with section 386 of the Companies Act 1985.

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant financial information of which the auditors are unaware.

Approved by the board on 8 May 2007 and signed on its behalf by



M L E Dowlen - Director

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CHARIOT (II) UNDERWRITING PLC**

We have audited the financial statements of Chariot (II) Underwriting PLC on pages 5 to 17 for the year ended 31 December 2006. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, 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 members those matters we are required to state to them in an auditors' 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 members 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 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom 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 transactions with the company 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 Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit 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 the financial statements.

8/9 The Avenue  
Eastbourne

Dated 8 May 2007



**HUMPHREY & CO**  
Chartered Accountants &  
Registered Auditors

**CHARIOT (II) UNDERWRITING PLC**  
**UNDERWRITING ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

		<b>Year Ended 31/12/06</b>		<b>Year Ended 31/12/05</b>	
	<b>Notes</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Written premiums, net of reinsurance					
Gross premiums written	2	18,382		334,621	
Outward reinsurance premiums	2	<u>(9,547)</u>		<u>(51,015)</u>	
Net written premiums			8,835		283,606
Change in provision for unearned premiums					
Gross amount	2		140,916		7,162
Reinsurers' share	2		<u>(6,292)</u>		<u>286</u>
Earned premiums net of reinsurance			143,459		291,054
Investment income			24,305		21,693
Claims incurred, net of reinsurance					
Claims paid					
Gross amount	2	(279,421)		(267,821)	
Reinsurers' share	2	107,569		75,479	
Change in provision for claims					
Gross amount	2	159,682		(36,455)	
Reinsurers' share	2	<u>(81,476)</u>		<u>54,197</u>	
Claims incurred			(93,646)		(174,600)
Operating expenses	2		(51,593)		(97,876)
Investment expenses and charges			<u>(275)</u>		<u>(449)</u>
<b>Balance on Underwriting Account</b>			<b><u>22,250</u></b>		<b><u>39,822</u></b>

The underwriting account is the technical account general business of the company

The accompanying notes are an integral part of these financial statements

**CHARIOT (II) UNDERWRITING PLC**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2006**

	Notes	Year ended 31/12/06 £	Year Ended 31/12/05 £
Balance on Underwriting Account		22,250	39,822
Investment income	3	4,376	9,106
Profit on Disposal of Syndicate Capacity		-	25,725
Operating expenses	4	<u>(2,610)</u>	<u>(113,582)</u>
Profit/(Loss) on ordinary activities before taxation		24,016	(38,929)
Tax on Profit/(Loss) on ordinary activities	7	<u>-</u>	<u>-</u>
<b>Profit/(Loss) for the year</b>		<b><u>24,016</u></b>	<b><u>(38,929)</u></b>

The company has ceased to underwrite new business. All items therefore relate to discontinued activities.

The accompanying notes are an integral part of these financial statements.


# CHARIOT (II) UNDERWRITING PLC

## BALANCE SHEET

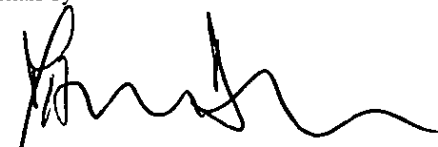
AS AT 31 DECEMBER 2006

	Notes	31 December 2006			31 December 2005		
		Corporate £	Syndicate Participations £	Total £	Corporate £	Syndicate Participations £	Total £
<b>Assets</b>							
Fixed asset investments	8	95,277	438,553	533,830	89,008	504,622	593,630
Reinsurers share of technical provisions		-	306,851	306,851	-	424,589	424,589
Debtors amounts falling due after one year							
Subsidiary undertakings		66,204	-	66,204	-	-	-
Debtors							
Arising out of direct insurance operations		42,456	43,497	85,953	44,507	130,382	174,889
Arising out of reinsurance operations		-	36,803	36,803	-	59,615	59,615
Other debtors	9	2,985	6,954	9,939	3,407	36,111	39,518
		206,922	832,658	1,039,580	136,922	1,155,319	1,292,241
Intangible Assets	10	-	-	-	-	-	-
Cash at bank and in hand		-	89,605	89,605	-	116,391	116,391
Other assets			4,213	4,213		37,211	37,211
<b>TOTAL ASSETS</b>		<b>206,922</b>	<b>926,476</b>	<b>1,133,398</b>	<b>136,922</b>	<b>1,308,921</b>	<b>1,445,843</b>
<b>Liabilities and Shareholders' Funds</b>							
<b>Capital and Reserves</b>							
Called up share capital	11	50,000	-	50,000	50,000	-	50,000
Revenue reserves	12	(683,634)	-	(683,634)	(707,650)	-	(707,650)
<b>Total Shareholders' Funds</b>	13	(633,634)	-	(633,634)	(657,650)	-	(657,650)
Technical provisions		-	817,218	817,218	-	1,191,827	1,191,827
<b>Creditors</b>							
Arising from direct insurance operations		12,340	45,388	57,728	28,818	15,743	44,561
Arising from reinsurance operations		-	26,634	26,634	-	38,531	38,531
Other creditors		23,391	35,548	58,939	40,930	60,928	101,858
Accruals and deferred income		59,512	1,688	61,200	77,974	1,892	79,866
Amounts due to parent and fellow							
Subsidiary undertakings		745,313	-	745,313	646,850	-	646,850
<b>TOTAL LIABILITIES</b>		<b>206,922</b>	<b>926,476</b>	<b>1,133,398</b>	<b>136,922</b>	<b>1,308,921</b>	<b>1,445,843</b>

Approved by the Board on 8 May 2007 and signed on its behalf by



S L Tanner – Chairman



M L E Dowlen - Director

The accompanying notes form an integral part of these financial statements



**CHARIOT (II) UNDERWRITING PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

**1 Accounting Policies**

**a) Basis of Preparation**

The Financial Statements have been prepared in accordance with Section 255 and Schedule 9A of the Companies Act 1985 and the recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in 2005. They are prepared under the historical cost basis of accounting modified to include the revaluation of investments, and comply with applicable accounting standards.

**b) Basis of Accounting**

The technical account has been prepared on an annual basis of accounting, whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums net of re-insurance.

Accounting information in respect of the Syndicate participations has been provided by the Syndicate managing agents through an information exchange facility operated by Lloyd's and has been reported on by the Syndicate auditors.

Assets and liabilities arising as a result of the underwriting activities are mainly controlled by the Syndicates' managing agents and are shown separately on the Balance Sheet as 'Syndicate Participations'. The assets are held subject to trust deeds for the benefit of the Syndicates' insurance creditors.

As the company has ceased to underwrite new business, provision has been made for further administrative costs anticipated to be incurred until all currently open Syndicate years of account have been closed by re-insurance.

**General business**

**i. Premiums**

Gross premiums are accounted for in the period in which the risk commences, together with adjustments to premiums written in previous accounting periods. Future premiums relating to risks commencing in the period are based upon estimates made by the Syndicates' management. Other adjustments are accounted for as arising.

**CHARIOT (II) UNDERWRITING PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**  
**(CONTINUED)**

**ii. Claims**

Provision is made for the estimated cost of claims outstanding at the end of the year, including those incurred but not reported at that date, and for the related costs of settlement. Claims incurred comprise amounts paid or provided in respect of claims occurring during the current year, together with the amount by which settlement or reassessment of claims from previous years differs from the provision at the beginning of the year.

The claims provision determined by the managing agent will have been based on information that was currently available at the time. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided and will be reflected in the financial statements for the period in which the adjustment is made.

**iii. Investments and Allocated Investment Income**

In accordance with Lloyd's current accounting practice, investments are stated at market value, including accrued interest at the Balance Sheet date. Investment income is included in the General Business Technical Account reflecting that earned on the investment portfolio managed by the Syndicates. The allocated investment income therefore comprises income received and investment profits and losses arising in the calendar year including appreciation/depreciation and accrued interest consequent upon the revaluation of investments at 31 December. All gains and losses on investments are treated as realised at the Balance Sheet date.

**iv. Basis of Currency Translation**

Syndicates maintain separate funds in Sterling, United States and Canadian dollars, and may also do so in certain other currencies. All transactions where separate currencies are maintained are translated into Sterling at the rates of exchange ruling at the Balance Sheet date. Transactions during the year in other overseas currencies are expressed in Sterling at the rates ruling at the transaction date.

**v. Debtors/Creditors arising from Insurance/Reinsurance Operations**

The amounts shown in the Balance Sheet include the totals of all the Syndicates outstanding debt and credit transactions. No account has been taken of any offsets which may be applicable in calculating the net amounts due between the Syndicates and each of their counterparty insureds, reinsurers or intermediaries as appropriate.

**c) Deferred Taxation**

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

**CHARIOT (II) UNDERWRITING PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**  
**(CONTINUED)**

**d) Intangible Assets**

Costs incurred by the company in the Corporation of Lloyd's auctions in order to acquire rights to participate on Syndicates' underwriting years are included within intangible assets and amortised over a three year period beginning in the third year after the underwriting commences in respect of the purchased Syndicate participation

All of the company's syndicate capacity was sold during 2005

**e) Investments**

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

**f) Cash Flow Statement**

The company has taken advantage of the exemption in FRS1 from the requirement to produce a cash flow statement on the basis that it is a wholly owned subsidiary of a parent company for which consolidated financial statements are publicly available as set out in note 16

**CHARIOT (II) UNDERWRITING PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**  
**(CONTINUED)**

**2. Segmental Information**

The following business has all been underwritten in the Lloyd's insurance market, which has been treated as one geographical segment and class of business for the purpose of Statement of Standard Accounting Practice No 25 'Segmental Reporting'. Segmental information in the format required by the Companies Act 1985, so far as it is available, is as follows

<b>Year Ended 31 December 2006</b>	<b>Gross Premiums Written £</b>	<b>Gross Claims Incurred £</b>	<b>Gross Operating Expenses £</b>	<b>Reinsurance Balance £</b>
<b>Direct business</b>				
Accident and health	202	(1,048)	(2,204)	1,732
Motor – third party liability	16	38	(16)	(164)
Motor – other classes	4,901	(18,884)	(14,408)	(6,007)
Marine, aviation and transport	433	(1,937)	(862)	1,647
Fire and other damage to property	3,266	(18,838)	(8,133)	5,191
Third party liability	2,864	(19,950)	(12,915)	(9,690)
Credit and suretyship	71	897	170	1,893
Legal expenses	11	(145)	(53)	(21)
Assistance	-	-	-	-
Other	200	(500)	(425)	(14)
<b>Total direct</b>	<b>11,964</b>	<b>(60,367)</b>	<b>(38,846)</b>	<b>(5,433)</b>
<b>Reinsurance</b>	<b>6,418</b>	<b>(59,372)</b>	<b>(12,747)</b>	<b>15,687</b>
<b>Total</b>	<b>18,382</b>	<b>(119,739)</b>	<b>(51,593)</b>	<b>10,254</b>

**Reconciliation of Reinsurance Balance to Underwriting Account**

Outward reinsurance premiums	(9,547)
Add Reinsurers' share of claims paid	107,569
Less Reinsurers' share of change in provision for claims	(81,476)
Less Reinsurers' share of change in provision for unearned premiums	(6,292)
	<u>10,254</u>

**CHARIOT (II) UNDERWRITING PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**  
**(CONTINUED)**

**2. Segmental Information (continued)**

<b>Year Ended 31 December 2005</b>	<b>Gross Premiums Written £</b>	<b>Gross Claims Incurred £</b>	<b>Gross Operating Expenses £</b>	<b>Reinsurance Balance £</b>
<b>Direct business</b>				
Accident and health	4,567	(3,244)	(2,310)	(386)
Motor – third party liability	2,819	(2,402)	(675)	(184)
Motor – other classes	104,889	(65,296)	(32,706)	(928)
Marine, aviation and transport	12,277	(8,272)	(3,995)	1,491
Fire and other damage to property	47,519	(56,548)	(15,349)	19,907
Third party liability	48,026	(38,167)	(11,428)	9,764
Credit and suretyship	949	(1,047)	(1,239)	280
Legal expenses	172	(301)	(339)	64
Assistance	2	(1)	-	(688)
Other	3,715	(1,762)	325	(34)
<b>Total direct</b>	<b>224,935</b>	<b>(177,040)</b>	<b>(67,716)</b>	<b>29,286</b>
<b>Reinsurance</b>	<b>109,686</b>	<b>(127,236)</b>	<b>(30,160)</b>	<b>49,661</b>
<b>Total</b>	<b>334,621</b>	<b>(304,276)</b>	<b>(97,876)</b>	<b>78,947</b>

**Reconciliation of Reinsurance Balance to Underwriting Account**

Outward reinsurance premiums	(51,015)
Less Reinsurers' share of change in provision for unearned premiums	286
Reinsurers' share of claims paid	75,479
Reinsurers' share of change in provision for claims	54,197
	<u>78,947</u>

**CHARIOT (II) UNDERWRITING PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**  
**(CONTINUED)**

**3 Investment Income (other than syndicate investment income)**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Interest on cash balances at Lloyd's	4,376	835
Deposit interest	-	2
Interest on Treasury Stock	-	14,705
Realised loss from investments	-	(6,436)
	<u>4,376</u>	<u>9,106</u>

**4 Operating Expenses**

(i) The following amounts are included within the statement of total return

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Staff costs (Note 5)	1,058	1,675
Auditors' remuneration for audit services	5,225	5,225
Auditors' remuneration for other services	<u>1,919</u>	<u>1,749</u>

(ii) The following amounts are included within net operating expenses in the underwriting account

	<b>£</b>	<b>£</b>
Brokerage	34,006	59,274
Syndicate operating expenses	6,013	37,889
Foreign exchange (gains)/losses	<u>4,243</u>	<u>(567)</u>

**CHARIOT (II) UNDERWRITING PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**  
**(CONTINUED)**

**5 Staff Costs**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Wages and salaries	1,025	1,538
Social security costs	<u>33</u>	<u>137</u>
	<u>1,058</u>	<u>1,675</u>

The average weekly number of employees (including directors) of the company during the year was

	<b>2006</b>	<b>2005</b>
Management	<u>3</u>	<u>4</u>

**6 Directors Remuneration**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Directors' emoluments (all in respect of management services)	<u>1,025</u>	<u>1,538</u>

**7 Tax on Profit/(Loss) on Ordinary Activities**

The tax assessed for the year is lower than the standard rate of UK corporation tax. The differences are explained below

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Profit/(Loss) on ordinary activities before tax	<u>24,016</u>	<u>(38,929)</u>
(Loss)/Profit on ordinary activities multiplied by standard rate of UK corporation tax of 19% (2005 19%)	4,563	(7,397)
Effects of		
Timing differences arising from the taxation of underwriting results	(2,170)	(7,905)
Tax losses carried forward	<u>(2,393)</u>	<u>15,302</u>
Current tax charge	<u>-</u>	<u>-</u>

The company has trading losses of approximately £692,000 (2005 £705,000) available for carry forward against future trading profits which should significantly reduce tax payments in future years

There is a potential deferred tax asset of £132,807 (2005- £129,154) arising from accumulated trading losses and other timing differences. In the opinion of the directors it would not be prudent to recognise this future tax relief as an asset

**CHARIOT (II) UNDERWRITING PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**  
**(CONTINUED)**

**8 Fixed Asset Investments**

**(i) At Market Value**

	<b>2006</b>		<b>2005</b>	
	<b>Company</b>	<b>Syndicate</b>	<b>Company</b>	<b>Syndicate</b>
Shares and Other Variable Yield Securities	-	80,211	-	22,447
Debt Securities and Other Fixed Interest Securities	-	322,800	-	441,854
Participation in Investment Pools	-	10711	-	-
Loans Guaranteed by Mortgage	-	2,533	-	2,127
Other Loans	-	2,578	-	2,632
Deposits with Credit Institutions	-	18,172	-	34,000
Cash Balances Held as Funds at Lloyds	95,277	-	89,008	-
Other	-	1,548	-	1,562
	<b>95,277</b>	<b>438,553</b>	<b>89,008</b>	<b>504,622</b>

**(ii) At Cost**

	<b>2006</b>		<b>2005</b>	
	<b>Company</b>	<b>Syndicate</b>	<b>Company</b>	<b>Syndicate</b>
Shares and Other Variable Yield Securities	-	79,713	-	22,447
Debt Securities and Other Fixed Interest Securities	-	322,725	-	442,052
Participation in Investment Pools	-	10,711	-	-
Loans Guaranteed by Mortgage	-	2,581	-	2,173
Other Loans	-	2,575	-	2,626
Deposits with Credit Institutions	-	18,234	-	34,000
Cash Balances Held as Funds at Lloyds	95,277	-	89,008	-
Other	-	1,431	-	1,562
	<b>95,277</b>	<b>437,970</b>	<b>89,008</b>	<b>504,860</b>

**9 Debtors: amounts falling due within one year (excluding syndicate participations)**

<b>Other Debtors</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Prepayments and accrued income	2,985	3,407
	<u>2,985</u>	<u>3,407</u>



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**10 Intangible Assets**

	2006 £	2005 £
Capacity on Lloyd's syndicates		
Balance brought forward	-	305
Additions	-	-
Disposals	-	(305)
Balance carried forward	<u>-</u>	<u>-</u>

**11 Called up share capital**

	2006 £	2005 £
Authorised		
Ordinary shares of £1 each	<u>20,000,000</u>	<u>20,000,000</u>
Allotted, issued and fully paid		
Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

**12 Revenue Reserve**

	2006 £	2005 £
Balance at 1 January 2006	(707,650)	(668,721)
Profit/(Loss) for the year	<u>24,016</u>	<u>(38,929)</u>
Balance carried forward at 31 December 2006	<u>(683,634)</u>	<u>(707,650)</u>

**13 Reconciliation of Movements in Shareholders' Funds**

	2006 £	2005 £
Profit/(Loss) for the financial year	24,016	(38,929)
Opening shareholders' funds	<u>(657,650)</u>	<u>(618,721)</u>
Closing shareholders' funds	<u>(633,634)</u>	<u>(657,650)</u>

**14 Capital Commitments and Operating Leases**

There were no capital commitments or commitments in respect of operating leases at the period end

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**15 Related Party Transaction**

Messrs Dowlen and Tanner are directors of both Chariot (II) Underwriting PLC (CUP II) and, until 7 April 2004 and 27 April 2004 respectively, were also directors of Zenith UK Holdings Limited (ZUHL)

During 2006 ZUHL continued to provide £44,606 as additional funds at Lloyd's (FAL) to support the company's underwriting

ZUHL will earn a return on the funds provided equivalent to a share of the net underwriting result pro-rata to the level of unencumbered FAL in place to support the 2003, 2004 and 2005 accounts. In addition any investment income earned on the funds provided belongs to ZUHL. ZUHL recognizes that circumstances may arise where the funds provided may be reduced through underwriting losses. In such circumstances, CIP is not obliged to reimburse ZUHL for such losses.

Included in operating expenses is £4,861 (2005 - £9,775) in respect of ZUHL's share of the net underwriting result. At the year end, £23,391 was owed to ZUHL (2005 - £18,530) and this will be paid after the relevant Year of Account profits have been distributed.

**16 Ultimate Holding Company**

At the period end the company's ultimate holding company was Chariot Incorporated PLC. Copies of Chariot Incorporated PLC's consolidated accounts can be obtained from the following address:

Argenta Secretariat Limited  
Fountain House  
130 Fenchurch Street  
London  
EC3M 5DJ