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**Financial statements for  
the year ended 31 December 2004**

**Silver Lining 55  
Limited**

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# Silver Lining 55 Limited

## Company information

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<b>Directors</b>	G E Lloyd-Roberts A G Ripley
<b>Secretary</b>	Argenta Secretariat Limited
<b>Company number</b>	3599698
<b>Registered office</b>	Fountain House 130 Fenchurch Street London EC3M 5DJ
<b>Auditors</b>	Mazars LLP 24 Bevis Marks London EC3A 7NR

# Silver Lining 55 Limited

## Directors' report For the year ended 31 December 2004

The directors present their report and financial statements for the year ended 31 December 2004.

### Statement of Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those 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;
- 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 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.

### Directors

The following directors have held office since 1 January 2004:

G E Lloyd-Roberts  
A G Ripley

### Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary Shares of 25p each	
	31 December 2004	31 December 2003
G E Lloyd-Roberts	2,500	2,500
A G Ripley	2,500	2,500

### Principal activities and review of the business

The principal activity of the company is to act as a corporate member of Lloyd's.

The company temporarily ceased underwriting at 31 December 2004. However, the directors consider the company to be a going concern and the financial statements have been prepared on that basis.

### Results for the year

The results for the year are set out on pages 3 to 4.

### Auditors

Mazars LLP succeeded to Mazars as the independent auditor to the Company during the year.

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with section 386(1) of the Companies Act 1985. Therefore, the auditors, Mazars LLP, will be deemed to be reappointed for each succeeding financial year.

Approved by the Board on 8/5/2005  
and signed on its behalf by A G RIPLEY

ACR

# Silver Lining 55 Limited

## Independent auditors' report

### To the members of Silver Lining 55 Limited

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We have audited the financial statements for the year ended 31 December 2004 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and 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 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 the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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. 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.

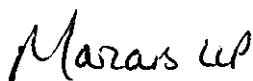
#### Basis of opinion

We conducted our audit in accordance with United Kingdom 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 circumstances of the company, 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 of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Mazars LLP**  
CHARTERED ACCOUNTANTS  
and Registered Auditors  
24 Bevis Marks, London, EC3A 7NR

19 May 2005

# Silver Lining 55 Limited

## Profit and Loss Account - Technical account - General business For the year ended 31 December 2004

	Notes	2004 £	2003 £
<b>Earned premiums, net of reinsurance</b>			
Gross premiums written	3	1,166,368	1,192,491
Outward reinsurance premiums	3	(125,839)	(174,378)
<b>Net premiums written</b>		<u>1,040,529</u>	<u>1,018,113</u>
Allocated investment return transferred from the non-technical account		40,306	31,722
<b>Claims incurred, net of reinsurance</b>			
<b>Claims paid:</b>			
Gross amount	3	(487,861)	(528,481)
Reinsurers' share	3	154,865	206,725
<b>Net claims paid</b>		<u>(332,996)</u>	<u>(321,756)</u>
<b>Change in the provision for claims:</b>			
Gross amount	3	(411,700)	(260,323)
Reinsurers' share	3	48,591	(263,639)
Change in the provision for future losses	3	-	4,969
<b>Net change in the provision for claims</b>		<u>(363,109)</u>	<u>(518,993)</u>
<b>Claims incurred, net of reinsurance</b>		<u>(696,105)</u>	<u>(840,749)</u>
Net operating expenses	4	(235,776)	(368,147)
Investment expenses and charges		<u>(1,383)</u>	<u>(1,096)</u>
Balance on the technical account for general business		<u>147,571</u>	<u>(160,157)</u>

# Silver Lining 55 Limited

## Profit and Loss Account - Non-technical account For the year ended 31 December 2004

	Notes	2004 £	2003 £
Balance on the general business technical account		147,571	(160,157)
Net investment return	5	39,919	33,401
Allocated investment return transferred to the general business technical account		(40,306)	(31,722)
Other income		27,141	5,620
Other charges		(63,807)	(5,021)
<b>Profit/(loss) on ordinary activities before tax</b>	<b>6</b>	<b>110,518</b>	<b>(157,879)</b>
Tax on profit/(loss) on ordinary activities	7	-	-
<b>Profit/(loss) on ordinary activities after tax</b>	<b>13</b>	<b>110,518</b>	<b>(157,879)</b>

The company has no gains or losses other than the profit or loss for the period.

All items derive from discontinued activities.

In accordance with the amendment to the Financial Reporting Standard 3 "Reporting Financial Performance", the inclusion of unrealised gains and losses in the profit and loss account to reflect the marking to market of investments in the balance sheet is deemed not to be a material departure from the historical cost basis of accounting. Accordingly, a separate note of historical cost profits and losses is not given.

# Silver Lining 55 Limited

## Balance Sheet

As at 31 December 2004

	Notes	Syndicate £	2004 Other £	Total Syndicate £	2003 Other £	Total £
<b>ASSETS</b>						
Intangible assets	8	-	-	-	24,137	24,137
<b>Investments</b>						
Other financial investments	9	1,327,039	5,990	1,333,029	6,376	1,108,272
Deposits with ceding undertakings		779	-	779	-	1,213
<b>Reinsurers' share of technical provisions</b>						
Claims outstanding		749,119	-	749,119	-	788,610
<b>Debtors</b>						
Debtors arising out of direct insurance operations:						
Due from intermediaries		188,427	-	188,427	-	285,696
Due from policyholders		36,635	-	36,635	-	2,162
Debtors arising out of reinsurance operations:						
Other debtors		628,317	-	628,317	13,490	588,969
		63,383	-	63,383	3,210	214,091
<b>Other assets</b>						
Cash at bank and in hand		67,782	39,285	107,067	2,837	69,966
Other		110,340	-	110,340	-	92,467
<b>Prepayments and accrued income</b>						
Accrued interest		-	305	305	-	-
Other prepayments and accrued income		7,700	-	7,700	-	6,119
<b>Total assets</b>		<u>3,179,521</u>	<u>45,580</u>	<u>3,225,101</u>	<u>50,050</u>	<u>3,181,702</u>

# Silver Lining 55 Limited

## Balance Sheet As at 31 December 2004

			2004			2003	
	Notes	Syndicate £	Other £	Total Syndicate £	£	Other £	Total £
<b>LIABILITIES</b>							
<b>Capital and reserves</b>							
Called up share capital	11	-	1,250	1,250	-	1,250	1,250
Profit and loss account	12	-	(297,827)	(297,827)	-	(408,345)	(408,345)
Equity shareholders' funds	13	-	(296,577)	(296,577)	-	(407,095)	(407,095)
<b>Technical provisions</b>							
Claims outstanding		2,900,964	-	2,900,964	2,840,001	-	2,840,001
<b>Deposits received from reinsurers</b>		4,554	-	4,554	12,148	-	12,148
<b>Creditors</b>							
Creditors arising out of direct insurance operations		21,047	-	21,047	26,354	-	26,354
Creditors arising out of reinsurance operations		74,011	-	74,011	122,948	-	122,948
Amounts owed to credit institutions		777	-	777	1,529	-	1,529
Other creditors including taxation and social security	14	175,219	342,157	517,376	123,651	457,145	580,796
<b>Accruals and deferred income</b>		2,949	-	2,949	5,021	-	5,021
<b>Total liabilities</b>		3,179,521	45,580	3,225,101	3,131,652	50,050	3,181,702

Approved by the Board of directors on 8/5/2005  
and signed on its behalf by:

Director

*A.C. Riple*  
A.G. RIPLEY



# Silver Lining 55 Limited

## Cash flow statement For the year ended 31 December 2004

	Note	2004 £	2003 £
Net cash inflow / (outflow) from operating activities	15(a)	(14,620)	(17,667)
<b>Capital expenditure</b>			
Proceeds from the sale of intangible assets		50,682	8,418
		<u>50,682</u>	<u>8,418</u>
Increase / (decrease) in cash in the year		<u>36,062</u>	<u>(9,249)</u>
<b>Cash flows were invested as follows</b>			
Increase / (decrease) in cash holdings	15(b)	36,448	(15,625)
Net portfolio investment	15(b)	(386)	6,376
		<u>36,062</u>	<u>(9,249)</u>
Increase / (decrease) in cash in the year		<u>36,062</u>	<u>(9,249)</u>
<b>Movement in opening and closing portfolio investments net of financing</b>			
Net cash inflow / (outflow) for the year		36,448	(15,625)
Net portfolio investment		(386)	6,376
		<u>36,062</u>	<u>(9,249)</u>
Total movement in portfolio investment net of financing		36,062	(9,249)
Portfolio at 1 January 2004	15(b)	9,213	18,462
Portfolio at 31 December 2004	15(b)	<u>45,275</u>	<u>9,213</u>

Note: The amounts above exclude the cash flows of syndicate underwriting except to the extent that sums are paid to or received from the company or its own premiums trust fund.

# Silver Lining 55 Limited

## Notes to the financial statements For the year ended 31 December 2004

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### 1 Basis of preparation of financial statements

#### 1.1 Current basis

The financial statements have been prepared in accordance with the provisions of Section 255 of and Schedule 9A to the Companies Act 1985 and with the Statement of Recommended Accounting Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") in November 2003.

Under the ABI SORP underwriting results should be determined on an annual basis. However the ABI SORP allows Lloyd's corporate vehicles to continue to use the fund basis of accounting in certain circumstances. The three year basis of accounting adopted by Lloyd's syndicates produces insufficient information about premiums receivable or claims payable for an underwriting year to enable reliable estimates to be made and thus allow the company to prepare accounts on an annual basis. Accordingly, it continues to prepare its accounts under the fund basis and the accounting policies set out below.

#### 1.2 Recognition of insurance transactions

Preparing financial statements in accordance with Section 255 of, and Schedule 9A to, the Act has required the company to recognise its proportion of all the transactions undertaken by the Lloyd's syndicates in which it participates ("the Syndicates").

For each such syndicate, the company's proportion of the underwriting transactions, investment return and operating expenses has been reflected within the company's profit and loss account. Similarly, its proportion of the Syndicate's assets and liabilities has been reflected in its balance sheet (under the column heading "syndicate"). The Syndicate assets are held subject to trust deeds for the benefit of the company's insurance creditors.

The proportion referred to above is calculated by reference to the company's participation as a percentage of the Syndicate's total capacity.

The company has delegated sole management and control of its underwriting through each Syndicate to the managing agent of the Syndicate ("the Managing Agent") and it has further undertaken not to interfere with the exercise of such management and control. The Managing Agents of the Syndicates are therefore responsible for determining the insurance transactions to be recognised by the company. The only exception to this rule is the level of provision for outstanding claims. These provisions have been determined by the directors of the company (see 2.6 below).

#### 1.3 Sources of data

The information used to compile the technical account and the "syndicate" balance sheet is based on returns prepared for this purpose by the Managing Agents of the Syndicates ("the Returns"). These Returns have been subjected to audit by the syndicate auditors and are based on the audited syndicate returns to Lloyd's and the audited annual reports to Syndicate members. This base data has been adjusted as necessary so that the Returns reflect the differences in preparation between syndicate annual reports and financial statements in accordance with Schedule 9A to the Act.

The format of the Returns has been established by Lloyd's and Lloyd's has also been responsible for collating the data at a syndicate level and analysing it into corporate member level results.

#### 1.4 Change in accounting presentation

In accordance with the requirements of the ABI SORP, all profits and losses arising on exchange have been included within the non-technical account. The comparative figures have not been restated as this revised presentation has no effect on the loss for the period or shareholders' funds at the beginning or end of the period.

# Silver Lining 55 Limited

## Notes to the financial statements (continued) For the year ended 31 December 2004

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### 2 Accounting policies

#### 2.1 Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of financial investments.

#### 2.2 Going concern

As at 31 December 2004 the company had net liabilities of £296,577 (2003: £407,095).

The directors consider the company to be a going concern and have prepared the financial statements on that basis. The company has temporarily ceased underwriting.

#### 2.3 Basis of accounting for underwriting results

All classes of insurance business written are accounted for on a three year funded basis because it is the basis most similar to that followed by the Syndicates. The nature of the information Managing Agents can make available is insufficient for the company to make reliable estimates of the necessary technical provisions on an annual basis of accounting. Under the three year funded basis followed by the company, the excess of premiums written and attributable net investment return over claims and expenses paid in respect of contracts incepting in an accounting period ("the underwriting year") is carried forward as a technical provision until the end of the third year from the inception of the underwriting year. Consequently, no profit is recognised in respect of an underwriting year until that time at the earliest. Profit is only recognised if a syndicate has been able to effect a "reinsurance to close" (see (2.7) below) in respect of that underwriting year.

If an underwriting year is expected to make a loss, the loss is recognised as soon as it is foreseen by increasing the technical provision to make it sufficient to meet present liabilities and anticipated future claims and expenses.

#### 2.4 Premiums

Premiums written comprise the total premiums receivable for the whole period of cover provided by the contracts incepting during the financial year, together with any adjustments arising in the year to such premiums receivable in respect of business written in prior years. Premiums are shown gross of commission payable to intermediaries and exclude insurance premium tax.

Gross premiums written may include "reinsurance to close" premiums receivable (see (2.7) below).

Outward reinsurance premiums may include "reinsurance to close" premiums payable (see (2.7) below).

Premiums written by a syndicate may also include the reinsurance of other syndicates on which the company participates. No adjustments have been made to gross premiums written or outward reinsurance premiums (or to gross and reinsurers' claims) to remove this intersyndicate reinsurance.

#### 2.5 Claims incurred

Claims incurred include the costs of claims handling expenses. Recoverable amounts arising out of subrogation or salvage are deducted from the cost of claims. Claims incurred comprise amounts paid or provided in respect of claims occurring during the year to 31 December, together with the amount by which settlement or reassessment of claims from previous years differ from the provision at the beginning of the year.

# Silver Lining 55 Limited

## Notes to the financial statements (continued) For the year ended 31 December 2004

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### 2 Accounting policies (continued)

#### 2.6 Provision for claims

Provision is made for claims incurred but not paid in respect of events up to 31 December. The provision includes the amounts required to ensure no profit is recognised before the end of the third year under the three year funded basis of accounting (see (2.3) above).

*The provision has been increased as appropriate by the company to the extent that deficits are foreseen on underwriting years before the 36 months point is reached.*

In deciding whether any such additional provision is necessary, syndicate participations for a year of account have been considered in aggregate as all Lloyd's underwriting is managed together.

The provision is based on the Returns and reports from the Managing Agents and the company's licensed adviser or Members' Agent. When appropriate, statistical methods have been applied to past experience of claims frequency and severity.

#### 2.7 Reinsurance to close

A reinsurance to close is a particular type of reinsurance contract entered into by Lloyd's syndicates. Under it, underwriting members (the reinsured members) who are members of a syndicate for a year of account (the closed year), agree with underwriting members who comprise that or another syndicate for a later year of account (the reinsuring members) that the reinsuring members will indemnify, discharge or procure the discharge, of the reinsured members against all known and unknown liabilities of the reinsured members arising out of insurance business undertaken through that syndicate and allocated to the closed year in consideration of:

(a) a premium; and

(b) either

- (i) the assignment, or agreement to assign, to the reinsuring members of all the rights of the reinsured members arising out of, or in connection with, that insurance business (including without limitation the right to receive all future premiums, reinsurances and other monies receivable in connection with that insurance business); or
- (ii) an agreement by the reinsured members that the reinsuring members shall collect on behalf of the reinsured members the proceeds of all such rights and retain them for their own benefit so far as they are not applied in discharges of the liabilities of the reinsured members.

Where the reinsurance to close is between members on successive years of account of the same syndicate, the managing agent has a duty to ensure both sets of members are treated equitably and to set the reinsurance to close with the intention that neither a profit nor a loss accrues to either group of members.

To the extent that the company participates on successive years of account of the same syndicate and there is a reinsurance to close between those years, the company has offset its share of the reinsurance to close received against its share of the reinsurance to close paid.

If the company has increased its participation from one year of account to the next, the reinsurance to close paid is eliminated, as a result of this offset, leaving an element of the reinsurance to close received. This reflects the fact that the company has assumed a greater proportion of the business of the syndicate. If the company has reduced its participation from one year of account to the next, the reinsurance to close received is eliminated, leaving an element of the reinsurance to close paid. This reflects the reduction in the company's exposure to risks previously written by the syndicate.

# Silver Lining 55 Limited

## Notes to the financial statements (continued) For the year ended 31 December 2004

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### 2 Accounting policies (continued)

#### 2.7 Reinsurance to close (continued)

The reinsurance to close is technically a reinsurance contract and, as such, the payment of a reinsurance to close does not remove from members of that year of account ultimate responsibility for claims payable on risks they have written. If the reinsuring members under the reinsurance to close become insolvent and the other elements of the Lloyd's chain of security also fail, the reinsured members remain theoretically liable for the settlement of any outstanding claims.

However, payment of a reinsurance to close is conventionally accepted as terminating a reinsured member's participation on a syndicate year of account and it is treated for accounts purposes as settling all the company's outstanding gross liabilities in respect of the business so reinsured.

#### 2.8 Investments

Syndicate: Where investments represent the company's share of syndicate investments, they are treated as sold and repurchased at each year end in recognition of the annual venture nature of participation on a syndicate. Consequently they are stated at cost, cost being the mid market value at 31 December.

Other: Listed investments held directly by the company, by the trustees of the Premiums Trust Fund, or as Lloyd's Deposit, are stated at market value. Unlisted investments held directly by the company are stated at cost less provision for any permanent diminution in value.

#### 2.9 Investment income

Investment income comprises interest receivable and dividends received plus realised and unrealised gains on the disposal of investments. Realised gains and losses arise from the difference between proceeds and valuation at the previous year end, or cost if there has been no previous revaluation. Unrealised investment gains and losses are calculated as the difference between the valuation at the balance sheet date and the valuation at the last balance sheet date or purchase price, if acquired during the year.

The realised and unrealised gains reported by Syndicates are net of any realised losses.

Investment income is initially recorded in the non-technical account. All investment income arising on syndicate participations is allocated to the technical account.

#### 2.10 Investment expenses and charges

Investment expenses and charges comprise investment management expenses.

#### 2.11 Net operating expenses

Operating expenses are recognised when incurred. They include the company's share of syndicate operating expenses, the remuneration payable to Managing Agents (and the company's Members' Agent/licensed adviser) and the direct costs of membership of Lloyd's. Where they relate to the company's underwriting, they are taken into account in calculating the technical provision required under the three year funded basis of accounting.

#### 2.12 Foreign currencies

Transactions in foreign currencies other than sterling, United States dollars, Canadian dollars and Euros are translated at the rates of exchange ruling at the date the transaction is processed. Unless otherwise stated, transactions in United States dollars, Canadian dollars and Euros and assets and liabilities in currencies other than sterling are translated at the rate of exchange ruling at the end of the financial year. Exchange differences arising on translation are dealt with in the profit and loss account.

#### 2.13 Syndicate participation rights

Where the company has purchased the right to participate on Syndicates, the cost is capitalised and amortised in equal annual instalments over five years, from the closure of the first year of account.

# **Silver Lining 55 Limited**

## **Notes to the financial statements (continued) For the year ended 31 December 2004**

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### **2 Accounting policies (continued)**

#### **2.14 Taxation**

The company is taxed on its share of the underwriting results declared by Syndicates and these are deemed to accrue evenly over the calendar year in which they are declared. The syndicate results included in these financial statements (excluding any losses on open years of account) are only declared for tax purposes in the calendar year following closure of the year of account.

The Inland Revenue agrees the taxable results of Syndicates at a syndicate level on the basis of computations submitted by the Managing Agent. At the date of approval of these financial statements, the syndicate taxable results of this year have not been agreed. Any adjustments that may be necessary to the tax provision as a result of Inland Revenue agreement of syndicate taxable results will be reflected in the financial statements of subsequent periods.

#### **2.15 Deferred taxation**

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

# Silver Lining 55 Limited

## Notes to the financial statements (continued) For the year ended 31 December 2004

### 3 Segmental Information

	Gross premiums written	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	£	£	£	£	£
<b>Year ended 31 December 2004</b>					
<b>Direct business</b>					
Accident and health	33,514	(22,900)	(17,390)	(3,014)	(9,790)
Motor - third party liability	2,249	(1,021)	(1,465)	(32)	(269)
Motor - other classes	77,709	(32,143)	(28,420)	(8,584)	8,562
Marine, aviation and transport	67,575	(23,633)	(29,555)	(17,940)	(3,553)
Fire and other damage to property	240,680	(110,124)	(99,779)	(1,600)	29,177
Third party liability	249,504	(227,546)	(76,526)	29,164	(25,404)
Credit and suretyship	20,790	1,788	(8,243)	(1,774)	12,561
Legal expenses	(1,163)	885	271	(79)	(86)
Other	3,566	(9,859)	76,785	(16,299)	54,193
Total direct	694,423	(424,553)	(184,322)	(20,157)	65,391
<b>Reinsurance business</b>					
Other reinsurance acceptances	109,998	(11,442)	(51,453)	(36,050)	11,053
Reinsurance to close	361,947	(463,566)	-	133,824	32,205
Total reinsurance	471,945	(475,008)	(51,453)	97,774	43,258
Total	1,166,368	(899,561)	(235,775)	77,617	108,649
<b>Year ended 31 December 2003</b>					
<b>Direct business</b>					
Accident and health	44,798	(17,562)	(17,797)	(2,578)	6,861
Motor - third party liability	6,286	(4,609)	(2,909)	1,258	26
Motor - other classes	74,177	(34,247)	(24,167)	(2,939)	12,824
Marine, aviation and transport	77,736	618	(32,826)	(21,738)	23,790
Fire and other damage to property	208,019	(55,537)	(78,009)	(96,984)	(22,511)
Third party liability	298,402	(277,812)	(93,529)	(23,947)	(96,886)
Credit and suretyship	16,071	(20,933)	(6,119)	3,329	(7,652)
Legal expenses	4,047	(2,987)	(2,189)	(225)	(1,354)
Assistance	(17)	12	(7)	100	88
Other	1,534	4,046	10,465	(46,963)	(30,918)
Total direct	731,053	(409,011)	(247,087)	(190,687)	(115,732)
<b>Reinsurance business</b>					
Other reinsurance acceptances	332,132	(90,391)	(121,060)	(144,045)	(23,364)
Reinsurance to close	129,306	(284,433)	-	103,440	(51,687)
Total reinsurance	461,438	(374,824)	(121,060)	40,605	(75,051)
Total	1,192,491	(783,835)	(368,147)	(231,292)	(190,783)

All insurance business is underwritten in the UK in the Lloyd's insurance market, which has been treated as one geographical segment for the purpose of SSAP25: Segmental Reporting.

# Silver Lining 55 Limited

## Notes to the financial statements (continued) For the year ended 31 December 2004

<b>4</b>	<b>Net operating expenses</b>	<b>2004</b>	<b>2003</b>
		<b>£</b>	<b>£</b>
	Acquisition costs	139,599	241,575
	Administrative expenses	39,996	11,949
	Loss on exchange	-	70,411
		<hr/>	<hr/>
		179,595	323,935
	Personal expenses	56,181	44,212
		<hr/>	<hr/>
		235,776	368,147
		<hr/>	<hr/>
<b>5</b>	<b>Investment income</b>	<b>2004</b>	<b>2003</b>
		<b>£</b>	<b>£</b>
	Interest receivable	52,322	42,966
	Realised and unrealised losses	(12,403)	(9,565)
		<hr/>	<hr/>
		39,919	33,401
		<hr/>	<hr/>
<b>6</b>	<b>Profit/(loss) on ordinary activities before taxation</b>	<b>2004</b>	<b>2003</b>
		<b>£</b>	<b>£</b>
	The profit/(loss) on ordinary activities before tax is stated after charging:		
	Amortisation of intangible assets	-	9,355
	Auditors' remuneration	600	575
	Remuneration of auditors for non-audit work	700	675
	Profit on disposal of intangible fixed assets	(26,545)	(5,290)
	Loss on exchange	71,840	-
		<hr/>	<hr/>



# Silver Lining 55 Limited

## Notes to the financial statements (continued) For the year ended 31 December 2004

7	Taxation	2004 £	2003 £
		-	-
	Current tax charge	-	-
	Tax on profit/(loss) on ordinary activities	-	-
	Factors affecting the tax charge for the year		
	Profit/(loss) on ordinary activities before taxation	110,518	(157,879)
	Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2003: 20.00%)	20,998	(31,576)
	Effects of:		
	Brought forward losses	(20,998)	-
	Other timing differences	-	31,576
	Current tax charge	-	-

The company has incurred trading losses of £297,827 (2003: £408,345) to date. To the extent that these are agreed with the Inland Revenue as being allowable for tax losses, these will be available for carry forward against future trading profits from the same trade. However no deferred tax asset has been recognised for this on the grounds that there is insufficient evidence that the asset would be recoverable. The asset would be recoverable were the company to make sufficient future taxable profits from the same trade.

# Silver Lining 55 Limited

## Notes to the financial statements (continued) For the year ended 31 December 2004

### 8 Intangible assets

#### Syndicate participation rights

##### Cost

At 1 January 2004

41,491

Disposals

(41,491)

At 31 December 2004

-

##### Amortisation

At 1 January 2004

(17,354)

Charge for the year

-

Disposals

17,354

At 31 December 2004

-

##### Net book value

At 31 December 2004

-

At 31 December 2003

24,137

### 9 Financial investments

#### Syndicate

	2004 Market value £	Historic cost £	2003 Market value £	Historic cost £
Shares and other variable yield securities	83,874	88,138	74,098	91,468
Debt securities and other fixed income securities	1,159,448	1,146,783	990,154	1,094,454
Participation in investment pools	29,189	42,944	17,519	29,236
Loans guaranteed by mortgage	-	-	223	223
Other loans	21	-	-	-
Deposits with credit institutions	54,506	24,051	19,900	13,326
Other	1	-	2	-
	<u>1,327,039</u>	<u>1,301,916</u>	<u>1,101,896</u>	<u>1,228,707</u>

#### Analysis of market value

Listed on the stock exchange

882,221

960,829

Other listed

444,818

141,067

1,327,039

1,101,896

# Silver Lining 55 Limited

## Notes to the financial statements (continued) For the year ended 31 December 2004

### 10 Funds at Lloyd's

The company's underwriting is supported by assets made interavailable to it by the shareholders of the company.

11 Share capital	2004 £	2003 £
<b>Authorised</b>		
400,000 Ordinary Shares of 25p each	100,000	100,000
<b>Allotted, called up and fully paid</b>		
5,000 Ordinary Shares of 25p each	1,250	1,250

### 12 Reserves

	Profit and loss account £
Balance at 1 January 2004	(408,345)
Retained profit for the year	110,518
Balance at 31 December 2004	(297,827)

13 Reconciliation of movements in shareholders' funds	2004 £	2003 £
Profit / (loss) for the financial year	110,518	(157,879)
Net addition to / (depletion in) shareholders' funds	110,518	(157,879)
Opening shareholders' funds	(407,095)	(249,216)
Closing shareholders' funds	(296,577)	(407,095)

14 Other creditors including taxation and social security	2004 £	2003 £
Other creditors	342,157	457,145
	342,157	457,145

# Silver Lining 55 Limited

## Notes to the financial statements (continued) For the year ended 31 December 2004

15 Cash Flow Statement	2004 £	2003 £
<b>(a) Reconciliation of profit / (loss) on ordinary activities before tax to net cash inflow / (outflow) from operating activities:</b>		
Profit / (loss) on ordinary activities before tax	110,518	(157,879)
Decrease / (increase) in debtors	16,395	94,669
(Decrease) / increase in creditors and accruals	(114,988)	46,447
(Decrease) / increase in provision for future losses	-	(4,969)
Loss / (profit) on disposal of intangible assets	(26,545)	(5,290)
Amortisation of capacity	-	9,355
Net cash inflow / (outflow) from operating activities	<u>(14,620)</u>	<u>(17,667)</u>

Technical account transactions represent the company's share of the transactions undertaken by syndicates. The cashflows arising from these transactions are not remitted to or paid by the company but paid into or out of syndicate premiums trust funds held by trustees appointed by the Managing Agent of each syndicate. If the Syndicate premiums trust funds are insufficient for the Syndicate to meet its liabilities as they fall due, a cash call is made by the Managing Agents on all members of the Syndicate and the company pays its share pro-rata.

Once a syndicate has effected a reinsurance to close in respect of a year of account, any distributable profit is available for release from the syndicate premiums trust funds to the participating members and any loss is collected from them. The company receives or pays its pro-rata share of any profit distributed or loss collected.

### **(b) Movement in cash, portfolio investments and financing**

	At 1 January 2004 £	Cashflow £	At 31 December 2004 £
Cash in hand	2,837	36,448	39,285
Other financial investments	6,376	(386)	5,990
	<u>9,213</u>	<u>36,062</u>	<u>45,275</u>

## 16 Related party transactions

During the period, the directors made no loans to the company. At the balance sheet date £289,003 (2003: £289,003) was owed to the directors.