BLAIR UNDERWRITING LIMITED

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Company No: 038009~~2~~4

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2007

BLAIR UNDERWRITING LIMITED

	Page

Directors	I C Agnew J R V Brandon C A A Harbord-Hamond J P Marland
Company Secretary	A S Fox
Registered Office	Unit C25 Jack's Place 6 Corbet Place London E1 6NN
Bankers	Butterfield Private Bank 99 Gresham Street London EC2V 7NG
Auditors	Littlejohn Chartered Accountants and Registered Auditors 1 Westferry Circus Canary Wharf London E14 4HD

The Directors have pleasure in presenting their Report together with the Financial Statements for the year ended 31 December 2007.

Results and Dividends

The results for the period are set out on pages 9 and 10 of the financial statements. Details of the interim dividends paid and declared in the year are shown in Note 22 to the financial statements; the Directors do not recommend the payment of a final dividend.

Review of the Business

The principal activity of the Company in the period under review was that of a corporate underwriting member of Lloyd's. The Company commenced underwriting with effect from 1 January 2000.

The Financial Statements incorporate the annual accounting results of the syndicates on which the Company participates for the 2005, 2006 and 2007 years of account, as well as any 2004 and prior run-off years.

The annual accounting technical result for the year is a profit of £655,898 (2006 – profit £761,135). The lack of any hurricane or other major catastrophe activity in 2007 has resulted in the Company recording another strong annual accounting result.

The 2005 year closed at 31 December 2007 with a profit, net of any calendar year run-off movements of £216,215 (2004 profit - £507,226). The 2006 and 2007 open underwriting accounts will normally close at 31 December 2008 and 2009.

As detailed in note 20, certain syndicates on which the Company participates have for a variety of reasons been unable to close. There is a greater than usual degree of uncertainty as to the eventual outcome of these accounts.

On 18 September 2007 ICP Holdings Limited purchased all of the shares in Blair Underwriting Limited. Under the terms of the sale and purchase agreement the original shareholder is due to receive additional consideration based upon the future value of syndicate capacity and of the 2006 and prior years of account underwriting results net of tax. The previous Funds at Lloyd's ("FAL") were substituted by funds loaned to the company by ICP Securities Limited under a FAL provision agreement. Interest arising from the date of the substitution of the funds and a profit participation charge in respect of the 2007 year of account accrues to ICP Securities Limited. The 2007 syndicate capacity was transferred to ICP Capital Limited for underwriting in 2008 at net book value.

Future Developments

The Company ceased underwriting at 31 December 2007.

Key Performance Indicators

The Directors consider the following to be the key performance indicators of the Company:

	2007	2006	Change
Capacity (youngest underwriting year) (000's)	£2,988	£2,972	+0.5%
Gross premium written as a % of capacity	96.9%	106.6%	-9.1%
Underwriting profit for latest closed pure year (000's)	£205	£462	-55.6%
Underwriting profit of latest closed year:			
as a % of capacity	6.1%	13.8%	-55.8%

Other Performance Indicators

As a result of the nature of this Company as a Lloyd's Corporate Member the majority of its activities are carried out by the Syndicates in which it participates. The company is not involved directly in the management of the Syndicate's activities, including employment of Syndicate staff, as these are the responsibility of the relevant Managing Agent. Each Managing Agent will also have responsibility for the environmental activities of each Syndicate, although by their nature insurers do not produce significant environmental emissions. As a result, the Directors of the Company do not consider it appropriate to monitor and report any performance indicators in relation to staff or environmental matters.

Risk Management

As a corporate member of Lloyd's the majority of the risks to this company's future cash flows arise from its participation in the results of Lloyd's syndicates. As detailed below, these risks are mostly managed by the Managing Agent of the syndicate. This company's role in managing this risk in conjunction with its members' Agent is limited to selection of syndicate participations and monitoring performance of the syndicates.

Syndicate Risks

The syndicate's activities expose it to a variety of financial and non-financial risks. The Managing Agent is responsible for managing the syndicate's exposure to these risks and, where possible, introducing controls and procedures that mitigate the effects of the exposure to risk. Each year, the Managing Agent prepares an Individual Capital Assessment (ICA) for the syndicate, the purpose of this being to agree capital requirements with Lloyd's based on an agreed assessment of the risks impacting the syndicate's business, and the measures in place to manage and mitigate those risks from a quantitative and qualitative perspective. The risks described below are typically reflected in the ICA; and typically the majority of the total assessed value of the risks concerned is attributable to Insurance Risk.

The insurance risks faced by a syndicate include the occurrence of catastrophic events, downward pressure on pricing of risks, reductions in business volumes and the risk of inadequate reserving. Reinsurance risks arise from the risk that a reinsurer fails to meet their share of a claim. The management of the syndicate's funds is exposed to risks of investment, liquidity, currency and interest rates leading to financial loss. The syndicate is also exposed to regulatory and operational risks including its ability to continue to trade. However, supervision by Lloyd's and the Financial Services Authority provide additional controls over the syndicate's management of risks.

The company manages the risks faced by the syndicates on which it participates by monitoring the performance of the syndicates it supports. This commences in advance of committing to support a syndicate for the following year, with a review of the business plan prepared for each syndicate by its Managing Agent. In addition quarterly reports and annual accounts together with any other information made available by the Managing Agent are monitored and if necessary enquired into. If the company considers that the risks being run by the syndicate are excessive it will seek confirmation from the Managing Agent that adequate management of the risk is in place and if considered appropriate will withdraw support from the next underwriting year.

Investment and currency risks

The other significant risks faced by the company are with regard to the investment of the available funds within its own custody. The elements of these risks are investment risk, liquidity risk, currency risk and interest rate risk. To mitigate this, the surplus company funds are invested in the Money Market. The main liquidity risk would arise if a syndicate had inadequate liquid resources for a large claim and sought funds from the company to meet the claim. In order to minimise investment, credit and liquidity risk the company's funds are invested in readily realisable money market deposits.

Regulatory risks

The company is subject to continuing approval by Lloyd's and the Financial Services Authority to be a member of a Lloyd's syndicate. The risk of this approval being removed is mitigated by monitoring and fully complying with all requirements in relation to membership of Lloyd's. The capital requirements to support the proposed amount of syndicate capacity for future years are subject to the requirements of Lloyd's. A variety of factors are taken into account by Lloyd's in setting these requirements including market conditions and syndicate performance and although the process is intended to be fair and reasonable the requirements can fluctuate from one year to the next, which may constrain the volume of underwriting the company is able to support.

Operational risks

As there are relatively few transactions actually undertaken by the company there are only limited systems and staffing requirements of the company and therefore operational risks are not considered to be significant. Close involvement of all directors in the company's key decision making and the fact that the majority of the company's operations are conducted by syndicates provides control over any remaining operational risks.

Directors

The Director of the Company in office during the year were as follows:

W K Blair (resigned 18 September 2007)
V M Blair (resigned 18 September 2007)
I C Agnew (appointed 18 September 2007)
J R V Brandon (appointed 18 September 2007)
C A A Harbord-Hamond (appointed 18 September 2007)
J P Marland (appointed 18 September 2007)

The Company Secretary, Hampden Legal PLC was replaced by A S Fox on 18 September 2007.

Disclosure of Information to the Auditors

In the case of each of the persons who are Directors at the time this report is approved, the following applies:

(a) So far as the Directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Since signing the audit opinion of the previous financial statements our auditors, CLB Littlejohn Frazer, have changed their name to Littlejohn and continue to be appointed as auditors.

By Order of the Board

C A A Harbord-Hamond
Director
22 December 2008

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 year in accordance with United Kingdom accounting standards and applicable law (United Kingdom Generally Accepted Accounting Practice). In preparing those Financial Statements the Directors are required to:

- select suitable Accounting Policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for 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 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. The Directors are responsible for ensuring that the Report of the Directors is prepared in accordance with company law in the United Kingdom.

Independent Auditor's report to the shareholders of Blair Underwriting Limited

We have audited the Financial Statements of Blair Underwriting Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Accounting Policies and the related notes 1 to 22. These Financial Statements 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 by the Statement of Directors' Responsibilities, 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 whether in our opinion the information given in the Report of the Directors is consistent with the Financial Statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the 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 Financial Statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Financial Statements, and of whether the Accounting Policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

Opinion

In our opinion:-

- the Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its profit for the year then ended.
- the Financial Statements have been properly prepared in accordance with the Companies Act 1985.
- the information given in the Report of the Directors is consistent with the Financial Statements.

Littlejohn

Littlejohn

Chartered Accountants
and Registered Auditors

22 December 2008

1 Westferry Circus
Canary Wharf
London E14 4HD

BLAIR UNDERWRITING LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2007

TECHNICAL ACCOUNT - GENERAL BUSINESS

	Note	2007	2007	2006	2006
Gross Premiums Written	1		2,895,738		3,168,163
Outward reinsurance premiums			(467,028)		(532,463)
Net Premiums Written			2,428,710		2,635,700
Change in the provision for unearned premiums					
Gross provision			34,053		166,714
Reinsurers share			(7,853)		5,276
Earned Premiums, Net of Reinsurance			2,454,910		2,807,690
Allocated Investment Return Transferred from the Non-Technical Account			280,245		228,741
Claims Paid					
Gross amount		(1,843,818)		(2,583,834)	
Reinsurers' share		499,354		979,667	
Net claims paid		(1,344,464)		(1,604,167)	
Change in Provision for Claims					
Gross amount		523,129		1,065,428	
Reinsurers' share		(395,503)		(751,871)	
Change in net provision for claims		127,626		313,557	
Claims Incurred, Net of Reinsurance			(1,216,838)		(1,290,610)
Net operating expenses	3		(862,419)		(984,686)
Balance on the Technical Account for General Business			£655,898		£761,135

The Company ceased underwriting at 31 December 2007.

The Accounting Policies and Notes on pages 13 to 26 form part of these Financial Statements.

NON-TECHNICAL ACCOUNT

	Notes	2007	2006
Balance on the General Business Technical Account		655,898	761,135
Investment income	4	337,379	267,581
Unrealised gains on investments		55,851	28,531
Investment expenses and charges	5	(61,839)	(40,735)
Unrealised losses on investments		(13,201)	(17,335)
Allocated investment return transferred to the general business technical account		(280,245)	(228,741)
Other income		-	70,410
Other charges		(103,189)	(117,910)
Profit on Ordinary Activities before Taxation	6	590,654	722,936
Tax on profit on ordinary activities	7	(179,931)	(141,205)
Profit on Ordinary Activities after Taxation	13	£410,723	£581,731

The company has no recognised gains and losses other than the result above.

The Accounting Policies and Notes on pages 13 to 26 form part of these Financial Statements.

		2007			2006		
	Note	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Assets							
Intangible Assets	8	-	-	-	-	27,127	27,127
Investments							
Financial Investments	9	4,488,578	-	4,488,578	4,484,253	-	4,484,253
Deposits with ceding Undertakings		4,239	-	4,239	4,183	-	4,183
		4,492,817	-	4,492,817	4,488,436	-	4,488,436
Reinsurers' share of technical provisions							
Provision for unearned Premiums		116,760	-	116,760	125,192	-	125,192
Claims outstanding		1,307,435	-	1,307,435	1,824,839	-	1,824,839
		1,424,195	-	1,424,195	1,950,031	-	1,950,031
Debtors							
Arising out of direct insurance operations		700,569	-	700,569	707,193	-	707,193
Arising out of reinsurance operations		591,237	-	591,237	518,486	-	518,486
Other debtors	10	538,796	219,585	758,381	377,655	155,716	533,371
		1,830,602	219,585	2,050,187	1,603,334	155,716	1,759,050
Other Assets							
Cash at bank and in hand	11	894,306	1,351,923	2,246,229	686,356	387,599	1,073,955
Other		3,430	-	3,430	279,743	-	279,743
		897,736	1,351,923	2,249,659	966,099	387,599	1,353,698
Prepayments and Accrued Income							
Accrued interest		29,387	-	29,387	26,339	-	26,339
Deferred acquisitions Costs		287,158	-	287,158	288,656	-	288,656
Other prepayments and accrued income		8,416	-	8,416	11,554	-	11,554
		324,961	-	324,961	326,549	-	326,549
Total Assets		£8,970,311	£1,571,508	£10,541,819	£9,334,449	£570,442	£9,904,891

The Accounting Policies and Notes on pages 13 to 26 form part of these Financial Statements.

	Note	2007 Syndicate Participation	2007 Corporate	2007 Total	2006 Syndicate Participation	2006 Corporate	2006 Total
Liabilities and Shareholders' Funds							
Capital and Reserves							
Called-up share capital	12	-	500	500	-	500	500
Share premium account		-	798	798	-	798	798
Profit and Loss Account	13	578,060	(167,337)	410,723	429,391	(39,655)	389,736
Shareholders' funds	14	578,060	(166,039)	412,021	429,391	(38,357)	391,034
Technical provisions:							
Provision for unearned premiums		1,239,969	-	1,239,969	1,274,772	-	1,274,772
Claims outstanding		5,855,410	-	5,855,410	6,662,749	-	6,662,749
		7,095,379	-	7,095,379	7,937,521	-	7,937,521
Provisions for Other Risks and Charges							
Deferred taxation	15	-	162,000	162,000	-	81,584	81,584
Deposit received from reinsurers		12,419	-	12,419	40,787	-	40,787
Creditors							
Arising out of direct insurance operations		307,461	-	307,461	220,922	-	220,922
Arising out of reinsurance operations		258,208	-	258,208	240,441	-	240,441
Amounts owed to credit Institutions		688	-	688	647	-	647
Other creditors	16	670,594	1,405,739	2,076,333	442,851	356,505	799,356
		1,236,951	1,405,739	2,642,690	904,861	356,505	1,261,366
Accruals and Deferred Income		47,502	169,808	217,310	21,889	170,710	192,599
Total Liabilities		£8,970,311	£1,571,508	£10,541,819	£9,334,449	£570,442	£9,904,891

Approved by the Board on 22 December 2008.

CAA Harbord-Hamond (Director)

The Accounting Policies and Notes on pages 13 to 26 form part of these Financial Statements.

	Note	2007	2007	2006	2006
Net Cash inflow from Operating Activities	17		333,523		395,596
Interest and dividends received		37,945		9,301	
Net Cash Inflow from Returns on Investments and Servicing of Finance			37,945		9,301
Taxation Paid			(23,102)		(352)
Capital Expenditure and Financial Investment					
Purchase of Syndicate capacity		-		(21,776)	
Proceeds from the sale of Syndicate capacity		2,280		65,448	
Net Cash Inflow from Capital Expenditure and Financial Investment			2,280		43,672
			350,646		448,217
Equity dividends paid			(180,064)		-
Cash flow before financing			170,582		448,217
Financing					
Funds lent/(repaid) to the Company by the Shareholders to meet expenses and cash calls		793,742		(128,848)	
			793,742		(128,848)
Increase in Cash			£964,324		£319,369
Cashflows were invested as follows:	18				
Increase in cash holdings			£964,324		£319,369

The Company has no control over the disposition of asset and liabilities at Lloyd's. Consequently, the cash flow statement is prepared reflecting only the movement in corporate funds, which includes transfers to and from the syndicates at Lloyd's.

The Accounting Policies and Notes on pages 13 to 26 form part of these Financial Statements.

Basis of Preparation

The Financial Statements are prepared under the historical cost basis of accounting modified to include the revaluation of investments and comply with applicable Accounting Standards.

The Company participates in insurance business as an underwriting member of various Syndicates at Lloyd's.

The Financial Statements have been prepared in accordance with Section 255 of, 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 December 2005 as amended in December 2006, except that exchange differences arising on Syndicate assets and liabilities are dealt with in the technical account as all of these differences arise from technical account transactions.

Accounting information in respect of the Syndicate participations has been provided by the Syndicate's managing agent and has been reported upon by the Syndicate auditors.

Basis of Accounting

The Financial Statements are prepared under the annual basis of accounting has been adopted. 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.

Amounts reported in the general business technical account relate to movements in the period in respect of all relevant years of account of the Syndicates on which the Company participates.

Assets and liabilities arising as a result of the underwriting activities are mainly controlled by the Syndicates' managing agents. Accordingly, these assets and liabilities have been shown separately in the balance sheet as "Syndicate Participation". Other assets and liabilities are shown as "Corporate". The syndicate assets are held subject to trust deeds for the benefit of the Syndicates' insurance creditors.

General Business

i. **Premiums**

Premiums written comprise the total premiums receivable in respect of business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the syndicates on which the Company participates, less an allowance for cancellations. All premiums are shown gross of commission payable to intermediaries and exclude taxes and duties levied on them.

ii. **Unearned Premiums**

Written premium is earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis having regard where appropriate, to the incidence of risk. The specific basis adopted by each syndicate is determined by the relevant managing agent.

iii. **Deferred Acquisition Costs**

Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned.

iv. **Reinsurance Premiums**

Reinsurance premium costs are allocated by the Managing Agent of each syndicate to reflect the protection arranged in respect of the business written and earned.

v. **Claims Incurred and Reinsurers' Share**

Claims incurred comprise claims and settlement expenses (both internal and external) occurring in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and settlement expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

The provision for claims outstanding comprises amounts set aside for claims notified and claims incurred but not yet reported (IBNR). The amount included in respect of IBNR is based on statistical techniques of estimation applied by each syndicate's in house reserving team and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to each syndicate's reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. Each syndicate uses a number of statistical techniques to assist in making these estimates.

Accordingly the two most critical assumptions made by each syndicates managing agent as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used including pricing models for recent business are reasonable indicators of the likely level of ultimate claims to be incurred.

The level of uncertainty with regard to the estimations within these provisions generally decreases with time since the underlying contracts were exposed to new risks. In addition the nature of short tail claims such as property where claims are typically notified and settled within a short period of time will normally have less uncertainty after a few years than long tail risks such as some liability business where it may be several years before claims are fully advised and settled. In addition to these factors if there are disputes regarding coverage under policies or changes in the relevant law regarding a claim this may increase the uncertainty in the estimation of the outcomes.

The assessment of these provisions is usually the most subjective aspect of an insurer's accounts and may result in greater uncertainty within an insurer's accounts than within those of many other businesses. The provisions for gross claims and related reinsurance recoveries have been assessed on the basis of the information currently available to the directors of each syndicate's managing agent. However, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The provisions are not discounted for the investment earnings that may be expected to arise in the future on the funds retained to meet the future liabilities. The methods used, and the estimates made, are reviewed regularly.

vi. **Unexpired Risks Provision**

Provisions for unexpired risks are made where the costs of outstanding claims, related expenses and deferred acquisition costs are expected to exceed the unearned premium provision carried forward at the balance sheet date. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together, after taking into account relevant investment return. The provision is made on a syndicate by syndicate basis by the relevant managing agent.

vii. **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 cost 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 outstanding claims.

The Directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle the 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 period, and no further provision is made for any potential variation in the ultimate liability of that year of account.

viii. **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 outstanding 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 for that year remains with the corporate member participating therein. As a result any run-off year will continue to report movements in its results after the third year until such time as it secures a reinsurance to close.

ix. **Net Operating Expenses (including Acquisition Costs)**

Net operating costs include acquisition costs, profit and loss on exchange and other amounts incurred by the syndicates on which the Company participates.

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the Balance Sheet date.

x. **Distribution of Profits and Collection of Losses**

Lloyd's operates a detailed set of regulations regarding solvency and the distribution of profits and payment of losses between syndicates and their members. Lloyd's continues to require membership of syndicates to be on an underwriting year of account basis and profits and losses belong to members according to their membership of a year of account. Normally profits and losses are transferred between the syndicate and members after results for a year of account are finalised after 36 months. This period may be extended if a year of account goes into run-off. The syndicate may make earlier on account distributions or cash calls according to the cash flow of a particular year of account and subject to Lloyd's requirements.

xi. **Investments**

Investments are stated at current value, including accrued interest at the Balance Sheet date.

xii. **Investment Return**

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses and charges.

Realised and unrealised gains and losses are measured by reference to the original cost of the investment if purchased in the year, or if held at the beginning of the year by reference to the current value at that date.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting the underwriting business.

xiii. **Basis of Currency Translation**

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.

xiv. **Debtors/Creditors arising from insurance/reinsurance operations**

The amounts shown in the balance sheet include the totals of all the Syndicates outstanding debit and credit transactions as processed by the Lloyd's central facility; 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.

Taxation

The company is taxed on its results including its share of underwriting results declared by the 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 are only declared for tax purposes in the calendar year following the normal closure of the year of account. No provision is made for corporation tax in relation to open years of account. However, full provision is made for deferred tax on underwriting results not subject to current corporation tax.

The taxable results of the syndicates at a syndicate level are calculated by the managing agent and computations submitted to HM Revenue & Customs (HMRC). Any adjustments that may be necessary to the tax provisions established by the Company, as a result of any HMRC enquiry into these computations, will be reflected in the financial statements of subsequent periods.

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 have not been discounted.

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 fixed assets and amortised over a 3 year period beginning in the year the underwriting commences in respect of the purchased Syndicate participation.

Cash Flow Statement

The company has no control over the disposition of assets and liabilities at Lloyd's. Consequently, the Cash Flow Statement is prepared reflecting only the movement in corporate funds, which includes transfers to and from Syndicates at Lloyd's.

1. **Class of Business**

2007	**Gross written premiums**	**Gross premiums earned**	**Gross claims incurred**	**Net operating expenses**	**Reinsurance balance**	**Total**
Direct						
Accident and health	88,756	91,938	(42,661)	(30,525)	(8,614)	10,138
Motor (third party liability)	9,699	12,840	(4,025)	(3,708)	885	5,992
Motor (other classes)	353,339	331,819	(233,059)	(91,464)	(10,202)	(2,906)
Marine, aviation and transport	334,840	350,638	(148,019)	(88,754)	(86,720)	27,145
Fire and other damage to property	572,493	590,067	(246,726)	(211,021)	(55,310)	77,010
Third party liability	797,252	805,088	(368,624)	(242,614)	(60,794)	133,056
Credit and suretyship	40,232	39,938	(1,841)	(8,587)	(5,344)	24,166
Legal expenses	3,525	3,513	(2,406)	(1,284)	(143)	(320)
Miscellaneous	15,093	14,423	(23,182)	(6,033)	(691)	(15,483)
	2,215,229	2,240,264	(1,070,543)	(683,990)	(226,933)	258,798
Reinsurance	680,509	689,527	(250,146)	(178,429)	(144,097)	116,855
Total	£2,895,738	£2,929,791	£(1,320,689)	£(862,419)	£(371,030)	£375,653

2006						
Direct						
Accident and health	105,249	112,890	(34,965)	(51,675)	(1,554)	24,696
Motor (third party liability)	8,683	8,576	(3,958)	(1,778)	(225)	2,615
Motor (other classes)	338,944	332,371	(204,742)	(97,520)	(23,254)	6,855
Marine, aviation and transport	414,071	429,902	(156,848)	(120,718)	(94,609)	57,727
Fire and other damage to property	595,852	626,770	(215,324)	(215,651)	(80,303)	115,492
Third party liability	817,086	876,131	(454,500)	(254,549)	(32,236)	134,846
Credit and suretyship	35,085	40,102	(1,778)	(12,562)	(241)	25,521
Legal expenses	1,424	1,464	2,470	(417)	49	3,566
Miscellaneous	11,157	10,633	(4,567)	(4,579)	(119)	1,368
	2,327,551	2,438,839	(1,074,212)	(759,449)	(232,492)	372,686
Reinsurance	840,612	896,038	(444,194)	(225,237)	(66,899)	159,708
Total	£3,168,163	£3,334,877	£(1,518,406)	£(984,686)	£(299,391)	£532,394

2. **Geographical Analysis**

Direct Gross Premium Written in:	**2007**	**2006**
United Kingdom	2,215,229	2,327,551
Other EU Member States	-	-
Rest of the World	-	-
	£2,215,229	£2,327,551

3. **Net Operating Expenses**

Acquisition costs	661,841	683,915
Change in deferred acquisition costs	2,737	27,182
Administrative expenses	248,904	266,598
(Profit)/Loss on exchange	(51,063)	6,991
	£862,419	£984,686

4. **Investment Income**

Income from investments	219,172	237,352
Realised gains on investments	80,262	20,928
Bank deposit interest	37,945	9,301
	£337,379	£267,581

5. **Investment Expenses and Charges**

Investment management expenses	4,945	4,722
Losses on the realisation of investments	56,894	36,013
	£61,839	£40,735

6. **Profit on Ordinary Activities before Taxation**

This is stated after charging/(crediting):

Auditors' remuneration	- audit of financial statements	£	1,100	£	1,000
	- taxation services	£	650	£	500
	- company secretarial services	£	-	£	-
	- other services	£	2,500	£	1,000
Amortisation of syndicate capacity		£	12,778	£	5,018
Profit on sale of syndicate capacity		£	-	£	(67,409)
Directors remuneration		£	-	£	-

The Company has no employees

7. Taxation

	2007	2006
Analysis of Charge in Period		
Current tax:		
UK corporation tax on profit of the period	98,871	25,696
Adjustment in respect of previous period	-	-
	98,871	25,696
Foreign tax	644	352
Total current tax	99,515	26,048
Deferred tax:		
Origination and reversal of timing difference	41,771	115,157
Effect of increased rate on opening deferred tax liability	38,645	-
	£179,931	£141,205

Factors affecting tax charge for period

The tax assessed for the period is different to the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2007	2006
Profit on ordinary activities before tax	£590,654	£722,936
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 - 19%)	177,196	137,358
Effects of:		
Timing difference on underwriting profits	(37,396)	8,409
Foreign tax	644	352
Double taxation relief	-	(4,572)
Adjustments in respect of prior periods	-	-
Trading losses utilised	-	(115,499)
Group relief receivable	(40,929)	-
Current tax charge for period	£99,515	£26,048

Factors that may affect future tax charges

The results of the Company's participation on the 2005, 2006 and 2007 years of account and the calendar year movement on 2004 and prior run-offs, will not be assessed to tax until the year ended 31 December 2008, 2009 and 2010 respectively being the year after the calendar year result of each run-off year or the normal date of closure of each year of account.

The above charge for foreign tax has been estimated after making provision for double taxation relief with the UK. However, due to the differences of timings and tax rates some foreign tax may ultimately not be fully recoverable.

8. **Intangible Assets**

Purchased syndicate capacity	**2007**
Cost	
At 1 January 2007	157,366
Additions	-
Disposals	(157,366)
At 31 December 2007	-
Amortisation	
At 1 January 2007	130,239
Provided during the year	12,778
Disposals	(143,017)
At 31 December 2007	-
Net Book Value	
At 31 December 2007	£-
At 31 December 2006	£27,127

9. **Investments**

Other Financial Investments - Syndicate

	2007		2006	
	Market value	**Cost**	**Market value**	**Cost**
Shares and other variable yield securities and units in unit trusts	295,017	270,888	391,528	373,905
Debt securities and other fixed income securities	3,945,240	3,838,187	3,811,306	3,813,121
Participation in investment pools	38,499	31,477	25,397	25,198
Other loans	13,383	13,342	52,894	53,215
Deposits with credit institutions	184,533	183,845	102,906	103,162
Overseas deposits and Other	11,906	11,900	100,222	100,222
	£4,488,578	£4,349,639	£4,484,253	£4,468,823
Listed investments included within the above	£4,240,257	£4,109,075	£4,202,834	£4,187,026

10. **Other Debtors**

	2007			2006		
	Syndicate Participation	**Corporate**	**Total**	**Syndicate Participation**	**Corporate**	**Total**
Amounts owed by group undertakings	-	14,349	14,349	-	-	-
Other	538,796	205,236	744,032	377,655	155,716	531,091
	£538,796	£219,585	£758,381	£377,655	£155,716	£531,091

Other debtors includes £151,123 (2006 - £153,436) in respect of cash calls paid to Lloyd's syndicates. This amount will be recoverable when the year of account on whose behalf the call was made is closed at a profit, or will be treated as a payment on account if the year is closed at a loss.

11. Cash at Bank and in Hand

	2007			2006		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Lloyd's deposit	-	1,334,166	1,334,166	-	317,534	317,534
Cash at bank	894,306	17,757	912,063	686,356	70,065	756,421
	£894,306	£1,351,923	£2,246,229	£686,356	£387,599	£1,073,955

The Lloyd's deposit represents monies deposited with the Corporation of Lloyd's (Lloyd's) to support the Company's underwriting activities as described in the Accounting Policies. The Company has entered into a Lloyd's Deposit Trust Deed which gives the Corporation the right to apply these monies in settlement of any claims arising from the participation on the syndicates. These monies can only be released from the provision of this Deed with Lloyd's express permission and only in circumstances where the amounts are either replaced by an equivalent asset, or after the expiration of the Company's liabilities in respect of its underwriting.

12. Called-up Share Capital

	2007	2007	2006	2006
	Authorised	Allotted, called-up and fully paid	Authorised	Allotted, called-up and fully paid
Ordinary shares of £1 each	£100,000	£500	£100,000	£500

13. Profit and Loss Account

	2007		
	Syndicate Participation	Corporate	Total
Retained profit brought forward	429,391	(39,655)	389,736
Profit for the financial year	655,898	(245,175)	410,723
Transfer	(507,229)	507,229	-
Dividends declared	-	(389,736)	(389,736)
Retained Profit Carried forward	£578,060	£(167,337)	£410,723

14 Reconciliation of Movements in Shareholders' Funds

	2007	2006
Opening shareholders funds	391,034	(190,697)
Profit for the financial year	410,723	581,731
Dividends declared	(389,736)	-
Closing shareholders' funds	£412,021	£391,034

15. Deferred Taxation

	2007	2006
Opening balance	81,584	(33,573)
Profit and loss account charge	80,416	115,157
Closing liability	£162,000	£81,584

Analysis of Provision for Deferred Taxation:

	2007	2006
Timing differences arising from the taxation of underwriting results	£162,000	£81,584

16. Creditors

	2007			2006		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Other creditors	670,594	38,185	708,779	442,851	99,284	542,135
Amounts owed to group undertakings	-	1,055,773	1,055,773	-	-	-
Proprietors' loan Account	-	-	-	-	231,525	231,525
Corporation Tax	-	102,109	102,109	-	25,696	25,696
Dividend Payable	-	209,672	209,672	-	-	-
	£670,594	£1,405,739	£2,076,333	£442,851	£356,505	£799,356

17. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	2007	2006
Operating profit	590,654	722,936
Interest received – non technical account	(37,945)	(9,301)
(Decrease)/Increase in creditors	(17,146)	(128,589)
(Increase)/Decrease in debtors	(66,149)	(153,396)
Underwriting results	(148,669)	26,337
Amortisation of syndicate capacity	12,778	5,018
Profit on sale of syndicate capacity	-	(67,409)
Net cash inflow from operating activities	£333,523	£395,596

18 **Analysis of changes to Net Funds**

	At 1 January 2007	Cash flow	At 31 December 2007
Cash at bank and in hand	£387,599	£964,324	£1,351,923

An analysis of cash at bank and in hand held by the company is given in Note 11, which also explains the restrictions placed on the Company's funds held as part of the Lloyd's deposit.

19. **Funds at Lloyd's**

In addition to the Funds held in the Lloyd's Deposit (Note 11) the Company's Lloyd's underwriting is supported by further amounts totalling £nil (2006: £1,345,817); which is also available to Lloyd's to meet the personal underwriting liabilities of a former shareholder for underwriting years commencing prior to 1 January 2000.

20. **Syndicate Participation**

Syndicate No.	Managing Agent	2007 Allocated capacity per underwriting year £'000	2006 £'000	2005 £'000
33	Hiscox Syndicates Limited	226	215	260
218	Cox Syndicate Management Limited	299	285	308
318	Beaufort Underwriting Agency Limited	94	75	75
386	Limit Underwriting Limited	275	240	300
510	RJ Kiln & Company Limited	380	350	361
557	RJ Kiln & Company Limited	100	78	68
570	Atrium Underwriting Limited	217	260	273
609	Atrium Underwriting Limited	400	400	450
727	S A Meacock & Company Limited	100	100	76
780	Advent Underwriting Limited	-	125	185
958	Omega Underwriting Agents Limited	200	200	181
2010	Cathedral Underwriting Limited	160	130	103
2020	Wellington Underwriting Agencies Limited	-	137	350
2525	Abacus Syndicates Limited	157	187	184
2526	Abacus Syndicates Limited	115	115	100
2791	Managing Agency Partners Limited	125	75	62
6101	CBS MAPA	140	-	-
		£2,988	£2,972	£3,336

The Company ceased underwriting at 31 December 2007.

In addition the Company is still participating on the following syndicates which are in run-off.

Syndicate No.	Year of Account	Capacity
2	2002	75,000
340	2000	71,970
340	2001	63,974
566	2000	100,000
1007	2002	75,000
		£385,944

20 **Syndicate Participation (continued)**

Technical Provisions – Run-off years of account

Certain syndicate years of account, representing some £385,944 of capacity, on which the Company participated have not been closed at their normal date or subsequently.

The reasons for these years of account being placed in run-off include:

- material exposure to losses from the terrorist attacks in the United States of America on 11 September 2001;
- significant reinsurance disputes;
- the lack of a successor to accept the reinsurance to close and therefore uncertainty as to the ultimate cost of a reinsurance to close to a third party;
- material potential exposure to litigation arising from the corporate failure of certain US corporations, for example Enron and WorldCom; and
- material potential exposure to litigation arising on alleged improper activities, in relation to a number of initial public offerings (IPOs) in the United States of America, so called "Laddering Claims".

Whilst the Directors consider the technical provision for outstanding claims is the best estimate that can be made on the basis of information currently available, the estimate is subject to change. Further information may cause the estimate to be revised. The timing of the conclusions on these estimates is unknown. Accordingly the determination of the underwriting result for the year and any related provision for run-off year of account losses is fundamentally uncertain and the eventual result might be higher or lower.

21. **Related Party Transactions**

Following the acquisition of 100% of the shares of the company by ICP Holdings Limited on 18 September 2007 there have been the following transactions with companies related to ICP Holdings Limited the ultimate holding company of Blair Underwriting Limited. The syndicate capacity has been transferred at net book value of £14,349 to ICP Capital Limited and this amount is a debtor at 31 December 2007. On 19 November 2007 ICP Securities Limited made a loan of £995,771 to this company which has been placed into Funds at Lloyd's. A charge of £30,506 has been made for this up to 31 December 2007 based upon the interest earned on the Funds at Lloyd's and the 2007 underwriting account result. This produced a creditor to ICP Securities at 31 December 2007 of £1,026,277. There has also been a charge of £7,038 by ICP General Partner Limited for advice and administration with regard to underwriting which together with a loan of £22,458 results in a creditor of £29,496 at 31 December 2007.

Prior to 18 September 2007, Mr Blair was the sole shareholder of the Company and he and his wife Mrs Blair were directors of the Company until 19 September 2007. They provided funding of £31,402 (2006: £NIL) in the year. During 2007 £262,927 (2006: £177,638) was repaid and included within the creditors at 31 December 2007 is £Nil (2006: £231,525) which is due to Mr & Mrs Blair. This amount is shown separately in note 16 under Proprietors' loan account. No interest is chargeable on the amount outstanding. A charge of £31,402 (2006: £48,790) has been made by Mr & Mrs Blair for making Funds at Lloyd's available to support the underwriting of the company. The dividend of £389,736 declared in the year is due to Mr Blair and £209,672 remained unpaid at 31 December 2007.

22 **Dividends**

	2007	**2006**
Dividends declared in the year	£389,736	£-

An interim dividend of £779.472 per share totalling £389,736 was declared in the year, of which £209,672 remains unpaid at the balance sheet date.