

Registered Number 3800934

**BLAIR UNDERWRITING LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2004**



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The Directors have pleasure in presenting their Report together with the Financial Statements for the year ended 31 December 2004.

#### Results and Dividends

The results for the year are set out on pages 6 and 7 of the Financial Statements. The Directors do not recommend the payment of a dividend.

#### Review of the Business

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

The result for the year includes movements from Syndicates that closed the 2002 underwriting account and from Syndicates in run-off, compared to the provisions previously established for these losses. Overall the 2002 underwriting account closed with a profit. The syndicates identified in note 21 continue to be unable to obtain a reinsurance to close. The market is currently forecast to make an overall profit for the 2003 and 2004 underwriting accounts which will normally close at 31 December 2005 and 2006 respectively and are therefore not reflected in these financial statements. The company has continued to underwrite on the 2005 underwriting account where the market conditions are considered favourable for a profitable outcome subject to the level of claims experienced.

#### Directors and Directors' Interests

The Directors of the Company in office, during the year, and their interest in its share capital were as follows:

	31 December 2004	1 January 2004
	Ordinary £1 shares	Ordinary £1 shares
W K Blair	500	500
V M Blair	-	-

#### Auditors

Since the previous Annual General Meeting, our auditors, Littlejohn Frazer, have changed their name to CLB Littlejohn Frazer. A resolution to reappoint CLB Littlejohn Frazer will be proposed at the next Annual General Meeting.

By Order of the Board

  
W K Blair

Director

29 July 2005

**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 year. 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 Auditors' Report to the Shareholders of Blair Underwriting Limited**

We have audited the Financial Statements of Blair Underwriting Limited for the year ended 31 December 2004 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Accounting Policies and the related notes 1 to 21.

These Financial Statements have been prepared under the historical cost convention as modified by the revaluation of investments and the accounting policies set out herein.

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**

The Directors' responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the Financial Statements in accordance with 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 1985. We also report to you if, in our opinion, the Report of the Directors 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within it. Our responsibilities do not extend to any other information.

**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 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 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

CLB 

CLB Littlejohn Frazer

Chartered Accountants  
and Registered Auditors

1 Park Place  
Canary Wharf  
London E14 4HJ

29 July 2005

## BLAIR UNDERWRITING LIMITED

## PROFIT AND LOSS ACCOUNT

Year Ended 31 December 2004

## TECHNICAL ACCOUNT - GENERAL BUSINESS

	Note	2004	2003
Gross Premiums Written	1	4,825,474	4,153,573
Outward reinsurance premiums		(542,404)	(577,402)
Earned Premiums Net of Reinsurance		4,283,070	3,576,171
Allocated Investment Return	3	153,179	136,866
Claims Paid			
Gross amount		(1,813,461)	(2,051,780)
Reinsurers' share		589,959	794,276
Net claims paid		(1,223,502)	(1,257,504)
Change in Provisions for Claims			
Gross amount		(1,801,881)	79,994
Reinsurers' share		247,131	(1,098,307)
Net change in provision for claims		(1,554,750)	(1,018,313)
Claims Incurred Net of Reinsurance		(2,778,252)	(2,275,817)
Net operating expenses	4	(1,192,434)	(1,392,996)
Investment expenses and charges		(4,705)	(5,576)
Balance on Technical Account for General Business		£460,858	£38,648

**BLAIR UNDERWRITING LIMITED****PROFIT AND LOSS ACCOUNT**  
**Year Ended 31 December 2004****NON TECHNICAL ACCOUNT**

	Note	2004	2003
Balance on the General Business Technical Account	5	460,858	38,648
Investment income	6	11,167	312
Other income	7	22,118	12,722
Other charges		(61,064)	(83,408)
Profit/(Loss) on Ordinary Activities before Taxation	8	433,079	(31,726)
Tax on profit/(loss) on ordinary activities	16	(39,634)	129,156
Profit/(Loss) for the Financial Year	14	<u>£393,445</u>	<u>£97,430</u>

The Company has no recognised gains or losses other than the profit / loss for the financial year stated above

All amounts above relate to continuing operations



**BLAIR UNDERWRITING LIMITED**
**BALANCE SHEET**  
**As at 31 December 2004**

	Note	Syndicate Assets	Corporate	2004 Total	2003 Total
<b>ASSETS</b>					
<b>Intangible Assets</b>					
Syndicate participation rights	9	-	23,361	23,361	47,893
<b>Investments</b>					
Financial investments	10	4,701,864	-	4,701,864	4,029,811
Deposits with ceding undertakings		5,127	-	5,127	7,949
		4,706,991	-	4,706,991	4,037,760
<b>Reinsurers' Share of Technical Provisions</b>					
Claims outstanding		2,590,432	-	2,590,432	3,353,760
<b>Debtors</b>					
<b>Arising out of direct insurance operations</b>					
- Policy holders		120,782	-	120,782	8,785
- Intermediaries		916,001	-	916,001	1,009,886
Arising out of reinsurance operations		2,485,442	-	2,485,442	2,673,945
Other debtors	11	228,546	99,026	327,572	616,429
		3,750,771	99,026	3,849,797	4,309,045
<b>Other Assets</b>					
Cash at bank	12	690,844	76,877	767,721	572,271
Other		422,842	-	422,842	395,207
		1,113,686	76,877	1,190,563	967,478
<b>Prepayments and Accrued Income</b>					
Other prepayments and accrued income		25,161	-	25,161	20,692
<b>Total Assets</b>		<b>£12,187,041</b>	<b>£199,264</b>	<b>£12,386,305</b>	<b>£12,736,628</b>

## BLAIR UNDERWRITING LIMITED

BALANCE SHEET  
As at 31 December 2004

	Note	Syndicate Liabilities	Corporate	2004 Total	2003 Total
<b>LIABILITIES</b>					
<b>Capital and Reserves</b>					
Called-up share capital	13	-	500	500	500
Share Premium Account	14	-	798	798	798
Profit and Loss Account	14	460,858	(895,469)	(434,611)	(828,056)
<b>Shareholders' Funds Attributable to Equity Interests</b>					
	15	460,858	(894,171)	(433,313)	(826,758)
<b>Technical Provisions</b>					
Claims outstanding - gross amount		11,021,807	-	11,021,807	11,880,264
<b>Provisions for Other Risks and Charges</b>					
Provision for taxation	16	-	-	-	-
Deposits Received from Reinsurers		18,656	-	18,656	36,468
<b>Creditors</b>					
Arising out of direct insurance operations		101,224	-	101,224	117,176
Arising out of reinsurance operations		261,731	-	261,731	378,514
Amounts due to credit institutions		2,830	-	2,830	7,785
Other creditors	17	302,033	871,855	1,173,888	997,257
		667,818	871,855	1,539,673	1,500,732
Accruals and Deferred Income		17,902	221,580	239,482	145,922
<b>Total Liabilities</b>		<u>£12,187,041</u>	<u>£199,264</u>	<u>£12,386,305</u>	<u>£12,736,628</u>

Approved by the Board on 29 July 2005



W K Blair

Director

**BLAIR UNDERWRITING LIMITED**
**CASH FLOW STATEMENT**  
**Year Ended 31 December 2004**

	Note	2004	2003
Net Cash Inflow/(Outflow) from Operating Activities	18	(12,325)	7,823
Returns on Investments and Servicing of Finance			
Interest received		<u>2,830</u>	<u>312</u>
Net Cash Inflow/(Outflow) from Returns on Investments and Servicing of Finance		2,830	312
Taxation			
Corporation Tax paid		-	-
Capital Expenditure and Financial Investment			
Purchase of syndicate participation rights	(15,674)	-	-
Proceeds from sale of syndicate participation rights	26,265	20,024	-
Purchase of investments	-	-	-
Proceeds from sale of investments	<u>8,337</u>	<u>-</u>	<u>-</u>
Net Cash Inflow/(Outflow) from Capital Expenditure and Financial Investment		<u>18,928</u>	<u>20,024</u>
Net Cash Inflow/(Outflow) before Financing		9,433	28,159
Financing			
Funds lent to the Company by the Shareholders to meet expenses and cash calls		<u>16,510</u>	<u>22,775</u>
Net Cash Inflow/(Outflow) from Financing		<u>16,510</u>	<u>22,775</u>
Increase/(Decrease) in Cash		<u>£25,943</u>	<u>£50,934</u>
Net Funds at 1 January 2004		50,934	-
Increase in cash in the year		<u>25,943</u>	<u>50,934</u>
Net Funds at 31 December 2004		<u>£76,877</u>	<u>£50,934</u>

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 the Syndicates at Lloyd's.

## Accounting Policies

### Basis of Accounting

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 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 2003. 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 upon by the Syndicate auditors

Amounts reported in the General Business Technical Account relate to the movements in the calendar year in respect of all relevant years of account of the Syndicates.

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 Assets" and "Syndicate Liabilities". The assets are held subject to trust deeds for the benefit of the Syndicates' insurance creditors

In continuing to apply the going concern basis to this Company's Financial Statements the following factors have been taken into account: the likely timing of any underwriting and non-underwriting cashflows, any Funds at Lloyd's supporting the Company's underwriting and not reflected in the the Company's Balance Sheet and the continued support of the Directors and Shareholders including the potential deferral of balances due to them

### General Business

#### i. Premiums

Gross premiums are accounted for in the period in which the risk commences, together with adjustments to premium 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.

#### 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 cost 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

#### iii. Underwriting Results

Lloyd's current accounting practice mandates that Syndicates operate a three year fund basis of accounting.

The Company follows this basis to the extent that profits are recognised when declared by the Syndicate for the year of account after 36 months. Losses are recognised as soon as they are foreseeable.

iv. **Technical Provision**

In accordance with the above practice, the excess of premiums written and Syndicate investment income over the claims and Syndicate expenses paid in respect of business incepting in an underwriting year is carried forward for two years in a fund and no profit is recognised until the end of the third year following the start of each underwriting year when the underwriting account is normally closed. The fund is included as part of outstanding claims

v. **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 any 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 year, and no further provision is made for any potential variation in the ultimate liability of that year of account

vi. **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, this will include any difference in the price that is ultimately charged for the reinsurance to close premium compared to the syndicate's current estimate

vii. **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.

**viii 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.

**ix 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 Xchanging Ins-sure Services Limited; 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 (excluding any losses on open years of account) are only declared for tax purposes in the calendar year following the normal closure of the year of account. No provision is made for taxation in relation to open years of account.

The Inland Revenue agrees the taxable results of the syndicates at a syndicate level on the basis of computations submitted by the Managing Agent. At the date of the approval of these financial statements the syndicate taxable results of years of account closed at this and at previous year ends may not have been fully agreed with the Inland Revenue. Any adjustments that may be necessary to the tax provisions established by the company as a result of Inland Revenue agreement of syndicate results 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 third year after the underwriting commences in respect of the purchased Syndicate participation.

**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.

## 1 Class of Business

	Gross written premiums	Gross claims incurred	Operating expenses	Reinsurance balance
<b>2004</b>				
<b>Direct</b>				
Accident and health	138,328	(61,231)	(66,375)	(7,176)
Motor - third party liability	109,265	(52,102)	(54,200)	(8,849)
Motor - other classes	198,355	(111,976)	(75,775)	16,578
Marine, aviation and transport	431,698	(224,159)	(137,925)	(40,787)
Fire and other damage to property	801,769	(336,692)	(268,791)	(45,215)
Third party liability	1,089,427	(918,458)	(316,057)	145,395
Credit and suretyship	59,272	(20,437)	(21,660)	(13,606)
Other	15,636	(47,251)	(6,943)	9,049
<b>Total Direct</b>	<b>2,843,750</b>	<b>(1,772,306)</b>	<b>(947,726)</b>	<b>55,389</b>
<b>Reinsurance Business</b>				
Reinsurance acceptances	618,161	(156,131)	(214,829)	(168,858)
Reinsurance to close	1,363,563	(1,686,905)	(29,879)	408,155
<b>Total Reinsurance</b>	<b>1,981,724</b>	<b>(1,843,036)</b>	<b>(244,708)</b>	<b>239,297</b>
<b>Total</b>	<b>£4,825,474</b>	<b>£(3,615,342)</b>	<b>£(1,192,434)</b>	<b>£294,686</b>
<b>2003</b>				
<b>Direct</b>				
Accident and health	124,652	(12,549)	(55,605)	(30,238)
Motor - third party liability	14,245	(5,816)	(7,526)	(878)
Motor - other classes	306,500	(143,134)	(86,710)	(24,219)
Marine, aviation and transport	276,829	173,529	(127,588)	(232,246)
Fire and other damage to property	481,628	29,755	(211,777)	(293,225)
Third party liability	1,178,972	(723,096)	(334,584)	(334,237)
Credit and suretyship	32,057	(69,553)	(20,401)	(24,101)
Other	9,901	37,733	(10,195)	(50,044)
<b>Total Direct</b>	<b>2,424,784</b>	<b>(713,131)</b>	<b>(854,386)</b>	<b>(989,188)</b>
<b>Reinsurance Business</b>				
Reinsurance acceptances	1,317,413	(116,613)	(434,921)	(772,031)
Reinsurance to close	411,376	(1,223,391)	(22,340)	879,786
<b>Total Reinsurance</b>	<b>1,728,789</b>	<b>(1,340,004)</b>	<b>(457,261)</b>	<b>107,755</b>
<b>Total</b>	<b>£4,153,573</b>	<b>£(2,053,135)</b>	<b>£(1,311,647)</b>	<b>£(881,433)</b>

<b>2</b>	<b>Geographical Analysis</b>	<b>2004</b>	<b>2003</b>
	Direct Gross Premium Written In		
	United Kingdom	2,588,095	2,424,890
	Other EU Member States	-	-
	Rest of the World	255,655	(106)
		<u>£2,843,750</u>	<u>£2,424,784</u>
<b>3</b>	<b>Allocated Investment Income</b>	<b>2004</b>	<b>2003</b>
	Investment income	188,466	175,587
	Realised (loss)/gain on investments	(35,287)	(38,721)
		<u>£153,179</u>	<u>£136,866</u>
<b>4</b>	<b>Net Operating Expenses</b>	<b>2004</b>	<b>2003</b>
	Acquisition costs	623,161	971,030
	Administrative expenses	339,627	168,683
	(Profit)/loss on exchange	229,646	253,283
		<u>£1,192,434</u>	<u>£1,392,996</u>
<b>5</b>	<b>Transfer from Technical Account</b>	<b>2001 &amp; Prior Run-Off Account</b>	<b>2002 Underwriting Account</b>
	Loss previously transferred	-	-
	Profit for the year	(28,408)	489,266
		<u>£(28,408)</u>	<u>£489,266</u>
			<b>Total</b>
			-
			460,858
			<u>£460,858</u>
<b>6</b>	<b>Investment Income</b>	<b>2004</b>	<b>2003</b>
	Income from other investments (including interest receivable)	2,830	312
	Realised gain / (loss) from other investments	8,337	-
	Unrealised gain / (loss) from other investments	-	-
		<u>£11,167</u>	<u>£312</u>
<b>7</b>	<b>Other Income</b>	<b>2004</b>	<b>2003</b>
	Profit / (loss) on sale of syndicate participation rights	22,118	12,722
	Other	-	-
		<u>£22,118</u>	<u>£12,722</u>



8	Profit/(Loss) on Ordinary Activities before Taxation	2004	2003
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This is stated after charging:

Auditors' remuneration - audit	£600	£600
Auditors' remuneration - other	£1,300	£1,300
Directors' remuneration	£-	£-
Amortisation of syndicate capacity	£36,059	£36,759
	<u>£36,059</u>	<u>£36,759</u>

The Company has no employees.

9	Intangible Assets		Syndicate Participation Rights
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Cost

At 1 January 2004	208,366
Additions	15,674
Disposals	(28,658)

At 31 December 2004	<u>195,382</u>
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Amortisation

At 1 January 2004	160,473
Charge for the year	36,059
Disposals	(24,511)

At 31 December 2004	<u>172,021</u>
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Net Book Value

At 31 December 2004	<u>£23,361</u>
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At 31 December 2003	<u>£47,893</u>
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10 Investments	Syndicate	Corporate	2004	2003
Financial Investments			Total	Total
<i>At market value</i>				
Shares and other variable yield securities	347,719	-	347,719	387,042
Debt securities and other fixed income securities	4,168,475	-	4,168,475	3,538,191
Participation in investment pools	681	-	681	2,642
Loans guaranteed by mortgage	-	-	-	1,140
Other Loans	107	-	107	-
Deposits with credit institutions	183,692	-	183,692	100,342
Other	1,190	-	1,190	454
	<u>£4,701,864</u>	<u>£-</u>	<u>£4,701,864</u>	<u>£4,029,811</u>
Listed investments included within the above	<u>£4,527,352</u>	<u>£-</u>	<u>£4,527,352</u>	<u>£3,336,615</u>
<i>At cost</i>				
Shares and other variable yield securities	479,038	-	479,038	451,947
Debt securities and other fixed income securities	4,048,810	-	4,048,810	3,844,145
Participation in investment pools	15,143	-	15,143	11,927
Loans guaranteed by mortgage	-	-	-	1,141
Other loans	-	-	-	-
Deposits with credit institutions	58,230	-	58,230	48,630
Other	1,080	-	1,080	411
	<u>£4,602,301</u>	<u>£-</u>	<u>£4,602,301</u>	<u>£4,358,201</u>
11 Debtors	Syndicate	Corporate	2004	2003
			Total	Total
Deferred Tax	-	89,522	89,522	129,156
Other	228,546	9,504	238,050	487,273
	<u>£228,546</u>	<u>£99,026</u>	<u>£327,572</u>	<u>£616,429</u>

Corporate other debtors of £Nil (2003 : £205,016) represents cash calls paid to Syndicates.

These cash calls will be offset against the Syndicate result for the year on which the cash call is made when that year closes. These amounts may therefore not be recoverable within 12 months. Any amounts shown as deferred tax are unlikely to be recovered within 12 months.

12 Cash at Bank	Syndicate	Corporate	2004 Total	2003 Total
Lloyd's deposit	-	75,581	75,581	17,394
Cash at bank and in hand	690,844	1,296	692,140	554,877
	<u>£690,844</u>	<u>£76,877</u>	<u>£767,721</u>	<u>£572,271</u>

Any Lloyd's deposit is held in accordance with the constraints detailed in note 19.

13 Called-up Share Capital	2004	2004	2003	2003
		Allotted, Called-up and		Allotted, Called-up and
	Authorised	Fully Paid	Authorised	Fully Paid
Ordinary shares of £1 each	<u>£100,000</u>	<u>£500</u>	<u>£100,000</u>	<u>£500</u>

14 Reserves	2004	2004	2003	2003
	Share Premium Account	Profit and Loss Account	Share Premium Account	Profit and Loss Account
Balance at 1 January	798	(828,056)	798	(925,486)
Retained profit / (loss) for the year	-	393,445	-	97,430
Balance at 31 December	<u>£798</u>	<u>£(434,611)</u>	<u>£798</u>	<u>£(828,056)</u>

15 Reconciliation of Movements in Shareholders' Funds	2004	2003
Profit / (loss) for the financial year	393,445	97,430
Opening shareholders' funds	(826,758)	(924,188)
Closing shareholders' funds	<u>£(433,313)</u>	<u>£(826,758)</u>
16 Taxation	2004	2003
Analysis of Charge in Year		
Current tax		
UK Corporation Tax on profits of the year	-	-
Adjustments in respect of previous years	-	-
Foreign tax	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	39,634	(129,156)
Changes in tax rates	-	-
Adjustment to the estimated recoverable amounts of deferred tax assets arising in previous years	-	-
Gain rolled over	-	-
Total deferred tax	39,634	(129,156)
Tax charge / (credit) on ordinary activities	<u>£39,634</u>	<u>£(129,156)</u>

## 16 Taxation (Continued)

## Factors Affecting Tax Charge for the Year

The tax assessed for the year is lower than the standard rate of Corporation Tax in the UK of 19% (2003 : 19%). The differences are explained below:

	2004	2003
Profit/(loss) on ordinary activities before tax	433,079	(31,726)
Profit/(loss) on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 19% (2003 - 19%).	82,285	(6,028)
Effects of:		
Expenses not deductible for tax purposes	3,374	-
Timing differences arising from the taxation of the underwriting results	(161,572)	(70,427)
Timing differences arising from the taxation of syndicate participation movements	-	-
Other	-	(5)
Tax Losses carried forward	75,913	76,460
Current tax charge for year	£-	£-

## Factors that may affect Future Tax Charges

The Company has trading losses of approximately £867,589 (2003: £481,864) available for carry forward against future trading profits which if utilised should significantly reduce tax payments in subsequent years

In addition the company has net deferred tax profits carried forward of £396,419 (2003 : losses £479,869) in respect of open and closed years underwriting results and amortisation of syndicate participations in previous years, which are not yet assessable to Corporation Tax. After reviewing the profits forecasts for open years, the company has recognised a deferred tax asset of £89,522 in respect of the above losses.

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 taxes may ultimately not be fully recoverable.

Provision for Deferred Tax	2004	2003
Timing differences arising from the taxation of the underwriting results	87,563	-
Open Year Loss Provisions	-	-
Timing differences arising from the taxation of syndicate capacity movements	(12,243)	(14,241)
Unrealised Gain / (Loss) on Corporate Investments	-	-
Tax losses carried forward / (released)	(164,842)	(114,915)
Provision for deferred tax	£(89,522)	£(129,156)
Asset at start of year	(129,156)	-
Deferred tax charge/(credit) in Profit and Loss Account for year	39,634	(129,156)
Asset at end of year	£(89,522)	£(129,156)

17 Other Creditors	Syndicate	Corporate	2004 Total	2003 Total
Other creditors	302,033	172,023	474,056	313,935
Corporation Tax	-	-	-	-
Proprietors' loan account	-	699,832	699,832	683,322
	<u>£302,033</u>	<u>£871,855</u>	<u>£1,173,888</u>	<u>£997,257</u>

The above proprietors' loan has been included in the related party transaction note 20

18 Reconciliation of Operating Profit / (Loss) to Net Cash Inflow / (Outflow) from Operating Activities	2004	2003
Operating Profit / (Loss) before interest	421,912	(32,038)
Change in provision for open and closed year losses	(460,858)	(38,648)
Prior Year result distributable in year	(412,407)	(324,626)
(Profit) / Loss on sale of capacity	(22,118)	(12,722)
Increase / (Decrease) in creditors	209,590	181,193
(Increase) / Decrease in debtors	215,497	197,905
Amortisation and Impairment of capacity	36,059	36,759
Net cash Inflow / (Outflow) from operating activities	<u>£(12,325)</u>	<u>£7,823</u>

#### 19 Funds at Lloyd's

Cash balances of £75,581 (2003: £17,394) detailed in note 12 and investments of £Nil (2003: £Nil) detailed in note 10 are held within the company's Lloyds deposit.

The Lloyd's deposit represents funds 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 legal agreement with Lloyd's which gives the Corporation the right to apply these funds in settlement of any claims arising from the Company's participation on Lloyd's Syndicates. These funds 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.

In addition to these amounts, the shareholders of the Company have also made available to Lloyd's assets amounting to approximately £1,577,000 (2003: £1,278,000) which are also used by the Company to support its Lloyd's underwriting. These funds are also available to Lloyd's to meet the personal underwriting liabilities of the shareholders for underwriting years commencing prior to 1 January 2000.

**20 Related Party Transactions**

Mr W K Blair is a Director and shareholder of the Company. During 2004 he provided funding of £16,510 (2003: £22,775). No amounts were repaid and included within the creditors at 31 December 2004 is £699,832 (2003: £683,322) which is due to Mr W K Blair. This amount is shown separately in note 17 under Proprietors' loan account. No interest is chargeable on the amount outstanding.

## 21 Syndicates

The Company is or was an Underwriting Member of the following Syndicates or MAPA's:

Syn.		2005	2004	2003	2002
No.	Managing Agent	Allocated Capacity	Allocated Capacity	Allocated Capacity	Allocated Capacity
2	Advent Underwriting Limited	-	-	-	75,000 *
33	Hiscox Syndicates Limited	260,000	300,000	350,000	264,255
218	Cox Syndicate Management Limited	307,750	207,750	207,750	173,125
260	KGM Underwriting Agencies Limited	-	-	75,000	90,000
318	Beaufort Underwriting Agency Limited	75,000	-	-	-
340	St Paul Syndicate Management Limited	-	-	-	79,966
386	Limit Underwriting Limited	300,000	400,000	400,000	281,600
557	R.J. Kiln & Co. Limited	68,250	75,000	75,000	89,997
510	R.J. Kiln & Co. Limited	360,793	196,087	186,750	150,000
570	Atrium Underwriters Limited	272,727	300,000	30,000	292,207
609	Atrium Underwriters Limited	449,999	447,743	397,994	325,050
623	Beazley Furlonge Limited	-	200,021	200,000	170,230
727	S.A. Meacock & Co. Limited	76,000	80,000	85,955	74,744
780	Advent Underwriting Limited	185,061	200,003	225,212	159,965
958	Omega Underwriting Agents Limited	181,005	181,005	181,005	129,289
1003	Catlin Underwriting Agencies Limited	-	-	-	177,968
1007	SVB Syndicates Limited	-	80,000	75,000	75,000 *
1084	Chaucer Syndicates Limited	-	-	-	80,325
2010	Cathedral Underwriting Limited	103,331	103,331	82,665	49,500
2020	Wellington Underwriting Agencies Limited	350,000	450,000	450,000	550,000
2525	Abacus Syndicates Limited	184,000	250,000	175,062	200,042
2526	Abacus Syndicates Limited	100,010	-	-	-
2791	Managing Agency Partners Limited	62,039	62,039	62,039	50,000
		<u>£3,335,965</u>	<u>£3,532,979</u>	<u>£3,259,432</u>	<u>£3,538,263</u>

\* denotes a year of account in run-off.

In addition the company is still participating on the following syndicates or MAPA's in runoff

Syn.		2000	2001
No.	Managing Agent	Allocated Capacity	Allocated Capacity
205	Jago Managing Agency Limited	120,000	-
340	St. Paul Syndicate Management Limited	71,970	63,974
435	Faraday Underwriting Limited	165,000	200,000
566	Limit Underwriting Limited	100,000	-
588	XL London Market Limited	-	200,000
861	XL London Market Limited	-	100,000