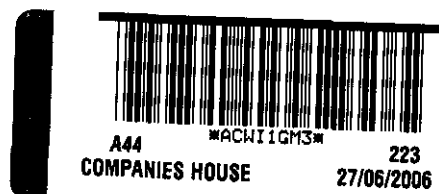


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the year ended 31 December 2005**

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Limited**

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Redcar Underwriting Limited

Company information

Directors	E H Marshall N C B Marshall
Secretary	Argenta Secretariat Limited
Company number	4036403
Registered office	Fountain House 130 Fenchurch Street London EC3M 5DJ
Auditors	Mazars LLP 24 Bevis Marks London EC3A 7NR

Redcar Underwriting Limited

Directors' report For the year ended 31 December 2005

The directors present their report and financial statements for the year ended 31 December 2005.

Statement of Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 for the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to assume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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 2005:

E H Marshall
N C B Marshall

Directors' interests

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

	Ordinary Shares of £ 1 each	
	31 December 2005	31 December 2004
E H Marshall	396,939	62
N C B Marshall	33	33

Change in reporting basis

Under the Statement of Recommended Accounting Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") in December 2005, underwriting results should be determined on an annual basis. This requirement was previously relaxed for Lloyd's corporate vehicles as the three year basis of accounting adopted by Lloyd's syndicates produced insufficient information to allow the company to prepare the accounts on an annual basis. The transition by Lloyd's to the annual basis of accounting for the syndicate return and for its central Schedule 9A facility means that the necessary annual accounting information is now available and therefore the financial statements have been prepared on this basis. The comparative information for the year ended 31 December 2004 has also been provided on the annual basis of accounting and the comparatives have been restated accordingly. Further details of the effect of this change are given in note 13.

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 ceased underwriting at 31 December 2004. The directors do not consider the company to be a going concern and the financial statements have been prepared on a break up basis.

Redcar Underwriting Limited

Directors' report

For the year ended 31 December 2005

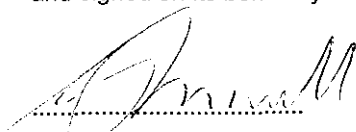
Results for the year

The results for the year are set out on pages 4 to 5.

Auditors

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 10th Jan 2006
and signed on its behalf by



E H Marshall

Director

Redcar Underwriting Limited

Independent auditors' report To the members of Redcar Underwriting Limited

We have audited the financial statements of Redcar Underwriting Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, 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 (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with the 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. 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 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Mazars LLP

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

23 June 2006

Redcar Underwriting Limited

Profit and Loss Account - Technical account - General business For the year ended 31 December 2005

		2005	2004
			(restated)
	Notes	£	£
Earned premiums, net of reinsurance			
Gross premiums written			
Continuing operations	3	8,859	636,464
Discontinued operations	3	3,046	3,754
		<u>11,905</u>	<u>640,218</u>
Outward reinsurance premiums	3	(7,562)	(121,724)
		<u>4,343</u>	<u>518,494</u>
Net premiums written			
Change in the provision for unearned premiums			
Gross amount		254,644	1,492
Reinsurers' share		(24,998)	(12,310)
		<u>229,646</u>	<u>(10,818)</u>
Earned premiums, net of reinsurance		<u>233,989</u>	<u>507,676</u>
Allocated investment return transferred from the non-technical account		37,818	31,369
		<u>271,807</u>	<u>539,045</u>
Total technical income			
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	3	(393,298)	(387,410)
Reinsurers' share	3	131,949	152,116
		<u>(261,349)</u>	<u>(235,294)</u>
Net claims paid			
Change in the provision for claims			
Gross amount	3	167,854	(37,740)
Reinsurers' share	3	(24,962)	(44,589)
		<u>142,892</u>	<u>(82,329)</u>
Net change in the provision for claims			
Claims incurred, net of reinsurance		<u>(118,457)</u>	<u>(317,623)</u>
Net operating expenses	4	(79,572)	(168,560)
		<u>(198,029)</u>	<u>(486,183)</u>
Total technical charges			
Balance on the technical account for general business		<u>73,778</u>	<u>52,862</u>

Redcar Underwriting Limited

Profit and Loss Account - Non-technical account For the year ended 31 December 2005

	Notes	2005 £	2004 (restated) £
Balance on the general business technical account		73,778	52,862
Investment income	5	50,102	41,447
Unrealised gains on investments		108,457	10,436
Investment expenses and charges	6	(8,092)	(12,932)
Unrealised losses on investments		(10,640)	(7,582)
Allocated investment return transferred to the general business technical account		(37,818)	(31,369)
Other finance income		4,749	2,080
Other income		-	17,082
Other charges		(14,642)	(29,939)
Profit on ordinary activities before tax	7	165,894	42,085
Tax on profit on ordinary activities	8	(19,850)	7
Profit for the financial year	13	146,044	42,092

No operations were acquired or discontinued in the period.

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.

Redcar Underwriting Limited

Statement of total recognised gains and losses For the year ended 31 December 2005

	2005	2004 (restated)
	£	£
Profit on ordinary activities after taxation	146,044	42,092
Prior year adjustment	103,815	
Total gains and losses recognised since the last annual report	<u>249,859</u>	

Redcar Underwriting Limited

Balance Sheet

As at 31 December 2005

		2005			2004 (restated)		
	Notes	Syndicate £	Other £	Total £	Syndicate £	Other £	Total £
ASSETS							
Investments							
Other financial investments	9	781,741	501,570	1,283,311	873,545	-	873,545
Deposits with ceding undertakings		684	-	684	1,411	-	1,411
		<u>782,425</u>	<u>501,570</u>	<u>1,283,995</u>	<u>874,956</u>	<u>-</u>	<u>874,956</u>
Reinsurers' share of technical provisions							
Provision for unearned premiums		1,151	-	1,151	25,878	-	25,878
Claims outstanding		366,944	-	366,944	414,925	-	414,925
Other technical provisions		-	-	-	414	-	414
		<u>368,095</u>	<u>-</u>	<u>368,095</u>	<u>441,217</u>	<u>-</u>	<u>441,217</u>
Debtors							
Debtors arising out of direct insurance operations:							
Due from intermediaries		44,859	-	44,859	202,418	-	202,418
Debtors arising out of reinsurance operations		80,219	-	80,219	116,487	-	116,487
Other debtors		61,475	107,249	168,724	61,348	91,280	152,628
		<u>186,553</u>	<u>107,249</u>	<u>293,802</u>	<u>380,253</u>	<u>91,280</u>	<u>471,533</u>
Other assets							
Cash at bank and in hand		171,982	11,755	183,737	241,021	80,789	321,810
Other		4,257	-	4,257	1,170	-	1,170
		<u>176,239</u>	<u>11,755</u>	<u>187,994</u>	<u>242,191</u>	<u>80,789</u>	<u>322,980</u>
Prepayments and accrued income							
Accrued interest and rent		4,158	1,394	5,552	5,923	1,060	6,983
Deferred acquisition costs		6,621	-	6,621	51,468	-	51,468
Other prepayments and accrued income		601	-	601	608	-	608
		<u>11,380</u>	<u>1,394</u>	<u>12,774</u>	<u>57,999</u>	<u>1,060</u>	<u>59,059</u>
Total assets		<u>1,524,692</u>	<u>621,968</u>	<u>2,146,660</u>	<u>1,996,616</u>	<u>173,129</u>	<u>2,169,745</u>

Redcar Underwriting Limited

Balance Sheet

As at 31 December 2005

		2005			2004 (restated)		
	Notes	Syndicate £	Other £	Total £	Syndicate £	Other £	Total £
LIABILITIES							
Capital and reserves							
Called up share capital	11	-	396,977	396,977	-	100	100
Profit and loss account	12	-	142,402	142,402	-	(3,642)	(3,642)
Equity shareholders' funds	13	-	539,379	539,379	-	(3,542)	(3,542)
Technical provisions							
Provision for unearned premiums		27,449	-	27,449	279,229	-	279,229
Claims outstanding		1,314,654	-	1,314,654	1,387,222	-	1,387,222
Other technical provisions		-	-	-	1,515	-	1,515
		1,342,103	-	1,342,103	1,667,966	-	1,667,966
Provisions for other risks and charges	14	-	6,000	6,000	-	9,000	9,000
Provision for taxation	15	-	19,850	19,850	-	-	-
Deposits received from reinsurers		1,359	-	1,359	4,294	-	4,294
Creditors							
Creditors arising out of direct insurance operations		15,547	-	15,547	17,816	-	17,816
Creditors arising out of reinsurance operations		17,751	-	17,751	67,124	-	67,124
Amounts owed to credit institutions		518	-	518	41	-	41
Other creditors including taxation and social security	16	143,043	56,621	199,664	234,725	167,671	402,396
		176,859	56,621	233,480	319,706	167,671	487,377
Accruals and deferred income		4,371	118	4,489	4,650	-	4,650
Total liabilities		1,524,692	621,968	2,146,660	1,996,616	173,129	2,169,745

Approved by the Board of directors on 10/1/06
and signed on its behalf by:

Director

Redcar Underwriting Limited

Cash flow statement

For the year ended 31 December 2005

		2005	2004 (restated)
	Note	£	£
Net cash inflow / (outflow) from operating activities	17(a)	35,659	726
Capital expenditure			
Proceeds from the sale of intangible assets		-	45,903
		-	45,903
Taxation			
Taxation (paid) / received		-	7
Financing			
Issue of ordinary share capital		396,877	-
Increase / (decrease) in cash in the year		432,536	46,636
Cash flows were invested as follows			
Increase / (decrease) in cash holdings	17(b)	(69,034)	46,636
Net portfolio investment	17(b)	501,570	-
Increase / (decrease) in cash in the year		432,536	46,636
Movement in opening and closing portfolio investments net of financing			
Net cash inflow / (outflow) for the year		(69,034)	46,636
Net portfolio investment		501,570	-
Total movement in portfolio investment net of financing		432,536	46,636
Portfolio at 1 January	17(b)	80,789	34,153
Portfolio at 31 December	17(b)	513,325	80,789

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.

Redcar Underwriting Limited

Notes to the financial statements For the year ended 31 December 2005

1 Basis of preparation of financial statements

1.1 Basis of preparation

The financial statements have been prepared in accordance with the provisions of Section 255 of and Schedule 9A to, the Companies Act 1985 ("the Act") and with the Statement of Recommended Accounting Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") in December 2005.

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.

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 reporting basis

Under the ABI SORP, underwriting results should be determined on an annual basis. This requirement was previously relaxed for Lloyd's corporate vehicles as the three year basis of accounting adopted by Lloyd's syndicates produced insufficient information to allow the company to prepare the accounts on an annual basis. The transition by Lloyd's to the annual basis of accounting for the syndicate return and for its central Schedule 9A facility means that the necessary annual accounting information is now available and therefore the financial statements have been prepared on this basis. The move to the annual basis of accounting represents a fundamental change in the reporting basis rather than a series of changes of accounting policies. Comparative amounts for 2004 have been restated. The net effect of the change is reflected in a prior year adjustment to reserves, shown in note 13.

The annual basis of accounting is fundamentally different from the three year funded basis and it is not considered practicable to identify the impact on the change of basis on the current year.

Redcar Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2005

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 2005 the company had net assets of £539,379 (2004: net liabilities of £3,542).

The directors do not consider the company to be a going concern and have prepared the financial statements on a break up basis. The company has ceased underwriting.

2.3 Basis of accounting for underwriting results

The underwriting results are determined on an annual basis of accounting. This represents a fundamental change in reporting basis rather than a series of changes in accounting policies. Previously results were determined on a three year funded basis whereby each underwriting year of account was normally kept open for three years and the result only ascertained at the end of third year when the year of account was usually closed by reinsurance.

In June 2003, the EU Insurance Accounts Directive ("the Directive") was amended so that syndicates were no longer required to prepare accounts on this three year funded basis. Instead, the Directive now provides a framework that allows Lloyd's to move to annual accounting for all aspects of reporting and the amendments to the Directive have been implemented in the UK by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004.

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 (2.8) below).

Outward reinsurance premiums may include "reinsurance to close" premiums payable (see (2.8) 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.

Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

Redcar Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2005

2 Accounting policies (continued)

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.

2.6 Provision for claims outstanding

Claims outstanding comprise amounts set aside for claims notified and claims incurred but not yet reported (IBNR). Provision is made for claims incurred but not paid in respect of events up to 31 December. 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. The two most critical assumptions as regard 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 for current business are fair reflections of the likely level of ultimate claims to be incurred.

The directors consider the provision for gross claims and related reinsurance recoveries, as based on the Returns to be fairly stated. 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 amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made.

2.7 Unexpired risk provision

A provision for unexpired risk is made by the underlying syndicates where claims, related expenses and deferred acquisition costs, likely to arise after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

2.8 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.

Redcar Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2005

2 Accounting policies (continued)

2.8 Reinsurance to close (continued)

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.

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.

2.9 Investments

Syndicate: Where investments represent the company's share of syndicate investments, they are stated at current value at the balance sheet date. For this purpose, listed investments are stated at mid-market value and deposits with credit institutions and overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

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.

2.10 Investment return

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.

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

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.

2.12 Foreign currencies

Transactions in United States dollars, Canadian dollars and Euros are translated at the rates of exchange ruling at the date the transaction is processed or at an appropriate average rate. Unless otherwise stated, transactions in currencies other than United States dollars, Canadian dollars and Euros are translated at the rate of exchange ruling at the date the transaction is processed.

Monetary assets and liabilities are retranslated into sterling at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities at the balance sheet date are maintained at the rate of exchange ruling when the contract was entered into (or an appropriate average rate).

Exchange differences arising on translation are dealt with in the profit and loss account.

Redcar Underwriting Limited

Notes to the financial statements (continued) **For the year ended 31 December 2005**

2 Accounting policies (continued)

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. Previously, under the three year basis of accounting, the commencement of amortisation was deferred until the closure of the first year of account. This change in estimation technique has not had a material effect (if any) on the results of the period.

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.

HM Revenue & Customs 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.

Redcar Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2005

3 Segmental Information

	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	£	£	£	£	£	£
Year ended 31 December 2005						
Direct business						
Accident and health	143	3,588	(3,023)	(1,146)	250	(331)
Motor - third party liability	(736)	(61)	(2,017)	(90)	(23)	(2,191)
Motor - other classes	69	1,277	(1,990)	(324)	(39)	(1,076)
Marine, aviation and transport	3,001	24,323	(44,853)	(7,335)	19,535	(8,330)
Fire and other damage to property	(14,867)	40,663	(34,900)	(12,355)	11,159	4,567
Third party liability	3,172	79,326	(25,524)	(24,335)	7,068	36,535
Credit and suretyship	1,441	5,496	(7,275)	(4,628)	1,911	(4,496)
Legal expenses	1	112	(627)	(477)	273	(719)
Other	(41)	(24)	37	(571)	(3)	(561)
Total direct	(7,817)	154,700	(120,172)	(51,261)	40,131	23,398
Other reinsurance acceptances	19,722	111,849	(105,272)	(28,311)	34,296	12,562
Total	11,905	266,549	(225,444)	(79,572)	74,427	35,960
Year ended 31 December 2004 (Restated)						
Direct business						
Accident and health	6,441	10,772	(5,524)	(3,750)	(319)	1,179
Motor - third party liability	1,080	520	(576)	(203)	136	(123)
Motor - other classes	778	4,028	(1,037)	(907)	(132)	1,952
Marine, aviation and transport	54,334	55,799	(37,138)	(15,014)	(5,208)	(1,561)
Fire and other damage to property	108,388	98,250	(62,151)	(31,483)	(8,358)	(3,742)
Third party liability	173,926	187,503	(104,015)	(46,516)	(17,506)	19,466
Credit and suretyship	4,556	3,239	(2,091)	(1,197)	(1,931)	(1,980)
Legal expenses	47	507	449	(137)	263	1,082
Other	1,649	6,895	(1,183)	(5,294)	(457)	(39)
Total direct	351,199	367,513	(213,266)	(104,501)	(33,512)	16,234
Other reinsurance acceptances	289,019	274,197	(211,884)	(64,059)	7,005	5,259
Total	640,218	641,710	(425,150)	(168,560)	(26,507)	21,493

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.

Redcar Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2005

4	Net operating expenses	2005	2004
			(restated)
		£	£
	Acquisition costs	439	109,586
	Change in deferred acquisition costs	45,452	982
	Administrative expenses	11,939	20,219
	Reinsurance commissions and profit participations	790	247
	Personal expenses	20,952	37,526
		<u>79,572</u>	<u>168,560</u>
5	Investment income	2005	2004
			(restated)
		£	£
	Income from investments	43,541	36,270
	Realised gains on investments	6,561	5,177
		<u>50,102</u>	<u>41,447</u>
6	Investment expenses and charges	2005	2004
			(restated)
		£	£
	Investment management expenses	911	976
	Realised losses on investments	7,181	11,956
		<u>8,092</u>	<u>12,932</u>
7	Profit on ordinary activities before taxation	2005	2004
			(restated)
		£	£
	The profit on ordinary activities before tax is stated after charging:		
	Auditors' remuneration	625	600
	Remuneration of auditors for non-audit work	775	700
	(Profit)/loss on disposal of intangible fixed assets	-	(17,082)
	(Profit)/loss on exchange	<u>3,959</u>	<u>17,472</u>

Redcar Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2005

8	Taxation	2005 £	2004 (restated) £
	Adjustment in respect of prior years	-	(7)
		-	(7)
	Current tax charge	-	(7)
	Deferred tax: origination and reversal of timing differences	19,850	-
	Tax on profit on ordinary activities	19,850	(7)
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	165,894	42,085
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2004: 19.00%)	31,520	7,996
	Effects of:		
	Utilisation of tax losses	(11,870)	(7,996)
	Adjustment in respect of prior years	-	(7)
	Other timing differences	(19,850)	-
	Current tax charge	-	(7)

9 Financial investments

Syndicate	2005 Market value £	Historic cost £	2004 Market value £	Historic cost £
Shares and other variable yield securities	114,878	107,879	119,866	118,015
Debt securities and other fixed income securities	649,029	652,817	736,277	712,605
Loans guaranteed by mortgage	646	660	-	-
Other loans	-	-	41	41
Deposits with credit institutions	17,190	17,190	17,362	15,575
Other	(2)	-	(1)	-
	781,741	778,546	873,545	846,236

Redcar Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2005

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

	2005 £	2004 £
Authorised		
500,000 (2004:1000) Ordinary Shares of £1 each	500,000	1,000
Allotted, called up and fully paid		
396,977 (2004:100) Ordinary Shares of £1 each	396,977	100

On 8 April 2005, authorised share capital was increased, from £1,000 to £500,000 by the creation of 499,000 Ordinary shares of £1 each. On the same date 396,877 shares were allotted, called up and fully paid.

12 Reserves

	Profit and loss account £
Balance at 1 January 2005 as previously reported	(107,457)
Prior year adjustment	103,815
Balance at 1 January 2005 as restated	(3,642)
Retained profit for the financial year	146,044
Balance at 31 December 2005	142,402

Redcar Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2005

13 Reconciliation of movements in shareholders' funds	2005	2004 (restated)
	£	£
Profit for the financial year	146,044	42,092
	<u>146,044</u>	<u>42,092</u>
Proceeds from issue of shares	396,877	-
	<u>542,921</u>	<u>42,092</u>
Net addition to shareholders' funds		
Opening shareholders' funds as previously reported	(107,357)	(150,721)
Prior year adjustment	103,815	105,087
	<u>(3,542)</u>	<u>(45,634)</u>
Opening shareholders' funds as restated		
Closing shareholders' funds	<u>539,379</u>	<u>(3,542)</u>

14 Provision for other risks and charges

The company has ceased underwriting at Lloyd's, and 2004 was the company's last year of account. The accounts include a provision of £6,000 (2004: £9,000) for the estimated future costs of the company's administration. The provision is reviewed each year and any adjustment is made through the profit and loss account.

15 Provisions for taxation	2005	2004
	£	£
Deferred tax	19,850	-
	<u>19,850</u>	<u>-</u>
Represented by:		
Underwriting results taxable in future years	19,850	-
	<u>19,850</u>	<u>-</u>

16 Other creditors including taxation and social security	2005	2004 (restated)
	£	£
Other creditors	56,621	167,671
	<u>56,621</u>	<u>167,671</u>

Redcar Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2005

17 Cash Flow Statement

	2005	2004 (restated)
	£	£
(a) Reconciliation of profit on ordinary activities before tax to net cash inflow / (outflow) from operating activities:		
Profit on ordinary activities before tax	165,894	42,085
(Increase) / decrease in debtors	(16,303)	23,863
Decrease in creditors and accruals	(110,932)	(57,140)
(Decrease) / increase in provision for run-off costs	(3,000)	9,000
Profit on disposal of intangible assets	-	(17,082)
Net cash inflow from operating activities	35,659	726

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 2005	Cashflow	At 31 December 2005
	£	£	£
Cash in hand	80,789	(69,034)	11,755
Other financial investments	-	501,570	501,570
	80,789	432,536	513,325

18 Related party transactions

At the balance sheet date £56,621 (2004: £167,671) was owed to the directors.