

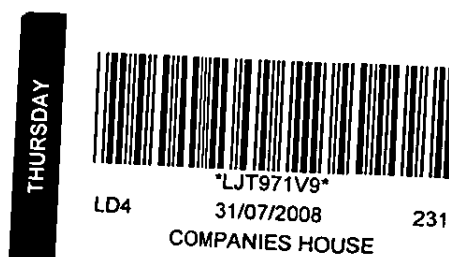


**Argenta Holdings plc**

**Financial Statements**

**31 December 2007**

Company registration number 4973117



**Argenta Holdings plc**

**Financial Statements  
For the year ended 31 December 2007**

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## **Argenta Holdings plc**

### **Financial Statements For the year ended 31 December 2007**

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#### **Directors and advisers**

Directors	Lord Brabourne Mr A J Annandale Mr P Hunt Mr A J D Locke Mr J P Pither Mr T R Riddell Mr G J White Wren Properties Limited	(Non-executive Chairman)    (Appointed 7 May 2008) (Resigned 12 July 2007) (Resigned 31 March 2007) (Appointed 7 May 2008)
Company Secretary	Mr C J R Fairs	
Registered Office	Fountain House 130 Fenchurch Street London EC3M 5DJ	
Lloyd's Adviser	Argenta Private Capital Limited Fountain House 130 Fenchurch Street London EC3M 5DJ	
Auditors	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD	
Legal Advisers	Edwards Angell Palmer & Dodge One Fetter Lane London EC4A 1JB	
Bankers	Royal Bank of Scotland plc 62/63 Threadneedle Street London EC2R 8LA	

## Argenta Holdings plc

### Directors' Report

For the year ended 31 December 2007

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The directors submit their annual report and the group's audited financial statements for the year ended 31 December 2007

#### 1 Principal activities and business review

Argenta Holdings plc ("Argenta") is the holding company of two specialised Lloyd's vehicles, Argenta Private Capital Limited ("APCL") and Argenta Syndicate Management Limited ("ASML"), both authorised by Lloyd's and the UK Financial Services Authority ("FSA")

APCL is a Lloyd's adviser and Members' Agent advising both individual and corporate members of Lloyd's on their underwriting affairs with aggregate capacity close to £1 billion. APCL's subsidiaries include Argenta Insurance Research Limited, whose brief is to research, review and analyse the Lloyd's market (at individual syndicate and broader market sector levels) in order to formulate recommendations on matters of syndicate support and portfolio construction, and Argenta Taxation Consultants Limited ("ATCL"), which has been offering a full range of tax compliance and planning services to individual and corporate clients for over 25 years

ASML is a Lloyd's Managing Agency which manages five active Lloyd's syndicates with aggregate capacity for 2007 of approximately £276 million, and two syndicates in run off. Syndicates 2121, 1965, 3334, 6101 and 6102 are live and syndicates 1047 and 1173 are in run off. ASML receives income principally from fees for managing the syndicates, and profit commission that may arise when the syndicates close their underwriting years of account, normally three years after the commencement of the year of account

#### Financial highlights

	2007	2006
<b><u>Lloyd's Members' Agency (APCL)</u></b>		
Managed Underwriting Capacity (£m)	990	1,004
Management Fees (£'000)	6,241	5,035
Profit before taxation and dividend provision (£'000)	2,439	2,174
<b><u>Lloyd's Managing Agency (ASML)</u></b>		
Managed Syndicate Capacity (£m)	276	114
Management Fees (£'000)	1,523	807
Profit before taxation and dividend provision (£'000)	1,049	512

APCL management fees increased following the acquisition of the Members' Agency business of Anton Private Capital Limited which was purchased in 2005. 2007 is the first year for which a full fee contribution has been received from this source

The increase in ASML's syndicate capacity under management and consequent fee income reflects the growth of its flagship Syndicate 2121 and the formation of Syndicate 3334. Further fee income growth is a result of the management of Special Purpose Reinsurance Syndicates 6101 and 6102 for a two year period with effect from 1 January 2007

#### 2 Results and dividends

The result of the Group for the year is shown on page 6. The loss on ordinary activities after taxation for the year amounted to £626,000 (2006 Profit of £1,929,000). The directors do not propose the payment of a dividend (2006 Nil)

#### 3 Board of directors

The names of the current directors are set out on page 1

#### 4 Directors' and officers' insurance

The Group continued to have directors' and officers' insurance in place during the year

## **Argenta Holdings plc**

### **Directors' Report**

**For the year ended 31 December 2007**

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#### **5 Creditor payment policy**

The Group is responsible for agreeing terms and conditions under which business transactions with their suppliers are conducted. Payments to suppliers are made in accordance with those terms, provided that suppliers also comply with all relevant terms and conditions.

#### **6 Financial instruments**

The Group does not enter into any hedging transactions. The Company and its subsidiary undertakings have normal exposure to price, credit, liquidity and cash flow risks arising from trading activities which are only conducted in sterling.

#### **7 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 judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures being 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 keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **8 Disclosure of information to auditors**

Under the Companies Act 1985 s234A, we can confirm that

- so far as we are aware, there is no relevant audit information of which the company's auditors are unaware, and
- we have taken all the steps that we ought to have taken as directors in order to make us aware of any relevant information and to establish that the company's auditors are aware of that information.

#### **9 Auditors**

A resolution to re-appoint Mazars LLP as auditors to the Company will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD



**Mr C J R Fairs**  
Secretary

Fountain House  
130 Fenchurch Street  
London  
EC3M 5DJ

30 July 2008

## Argenta Holdings plc

### Independent Auditors' Report to the Members of Argenta Holdings plc

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We have audited the financial statements of Argenta Holdings plc for the year ended 31 December 2007 which comprise the Consolidated Technical Account the Consolidated Non-Technical Account, the Consolidated Balance Sheet the Company Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the company and the company's members, 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 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 whether the financial statements are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also 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 transactions with the company and other members of the group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement.

#### Basis of audit opinion

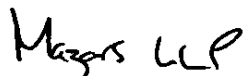
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 circumstances of the company and the group 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 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 and the group's affairs as at 31 December 2007 and of the group's loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' report is consistent with the financial statements.

  
MAZARS LLP  
CHARTERED ACCOUNTANTS  
and Registered Auditors  
Tower Bridge House  
St Katharine's Way  
London, E1W 1DD

30 July 2008

**Argenta Holdings plc**

**Consolidated Profit and Loss Account  
For the year ended 31 December 2007**

		2007 £000	2006 £000
<b>TECHNICAL ACCOUNT - GENERAL BUSINESS</b>	<b>Notes</b>		
<b>Earned premiums, net of reinsurance</b>			
Gross premiums written – continued operations	3	77,591	57,866
Gross premiums written – discontinued operations	3	-	4
Outward reinsurance premiums	3	(9,405)	(13,906)
Net premiums written		68,186	43,964
<b>Change in provision for unearned premiums</b>			
Gross amount	3	(14,585)	(15,673)
Reinsurers' share	3	(2,918)	2,577
		(17,503)	(13,096)
<b>Earned premiums net of reinsurance</b>		50,683	30,868
<b>Allocated investment return transferred from the non-technical account</b>		1,393	275
<b>Total technical income</b>		52,076	31,143
<b>Claims incurred, net of reinsurance</b>			
<b>Claims paid</b>			
Gross amount	3	(14,274)	(17,370)
Reinsurers' share	3	1,265	6,525
		(13,009)	(10,845)
<b>Change in the provision for claims</b>			
Gross amount	3	(8,870)	(4,817)
Reinsurers' share	3	(1,337)	(3,238)
Decrease/(increase) in provision for future losses	22	71	(18)
		(10,136)	(8,073)
<b>Claims incurred, net of reinsurance</b>		(23,145)	(18,918)
<b>Net operating expenses</b>	3,4	(21,722)	(10,858)
Amounts receivable under a participation deed		369	797
Amounts payable under a participation deed		(6,220)	-
<b>Balance transferred to the non-technical account</b>		1,358	2,164

**Argenta Holdings plc**

**Consolidated Profit and Loss Account  
For the year ended 31 December 2007**

	Notes	2007 £000	2006 £000
<b>NON-TECHNICAL ACCOUNT</b>			
Balance on the general business technical account		1,358	2,164
Investment income	5	1,816	476
Unrealised gains on investments		115	12
Investment expenses and charges	6	(90)	(17)
Unrealised losses on investments		(108)	(4)
Allocated investment return transferred to the general business technical account		(1,393)	(275)
Income from other activities	7	12,069	11,136
Total income		13,767	13,492
Interest payable		(617)	(590)
Operating expenses, including value adjustments		(13,757)	(10,967)
(Loss)/profit on ordinary activities before tax	8	(607)	1,935
Tax on (loss)/profit on ordinary activities	11	(19)	(6)
(Loss)/profit on ordinary activities after tax and retained loss for the year		(626)	1,929

Revenue and operating profits and losses derive wholly from continuing operations

In accordance with the amendment to 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 the historical cost profits and losses is not given.



**Argenta Holdings plc**

**Consolidated Balance Sheet  
As at 31 December 2007**

		2007			2006		
	Notes	Syndicate £000	Other £000	Total £000	Syndicate £000	Other £000	Total £000
<b>ASSETS</b>							
<b>Intangible assets</b>							
Positive goodwill	12	-	3,628	3,628	-	3,799	3,799
Negative goodwill	12	-	(344)	(344)	-	(515)	(515)
		-	3,284	3,284	-	3,284	3,284
<b>Fixed assets</b>							
	13	-	180	180	-	254	254
<b>Other financial investments</b>							
Other financial investments	14	41,762	-	41,762	11,851	-	11,851
Deposits with ceding undertakings		32	-	32	-	-	-
		41,794	-	41,794	11,851	-	11,851
<b>Reinsurers' share of technical provisions</b>							
Unearned premium		932	-	932	4,145	-	4,145
Claims outstanding		5,792	-	5,792	4,520	-	4,520
		6,724	-	6,724	8,665	-	8,665
<b>Debtors Due within one year</b>							
Debtors arising out of direct insurance operations		24,933	-	24,933	12,790	-	12,790
Debtors arising out of reinsurance operations		116	-	116	218	-	218
Other debtors	16	2,472	7,925	10,397	15,985	13,023	29,008
		27,521	7,925	35,446	28,993	13,023	42,016
<b>Debtors Due after one year</b>							
Other debtors	16	1,219	222	1,441	620	222	842
<b>Other assets</b>							
Cash at bank and in hand		1,179	5,856	7,035	2,705	3,583	6,288
Other assets		370	-	370	-	-	-
		1,549	5,856	7,405	2,705	3,583	6,288
<b>Prepayments and accrued income</b>							
Accrued interest		48	479	527	16	33	49
Prepayments and accrued income		11,156	1,041	12,197	6,530	1,831	8,361
		11,204	1,520	12,724	6,546	1,864	8,410
<b>TOTAL ASSETS</b>							
		90,011	18,987	108,998	59,380	22,230	81,610

**Argenta Holdings plc**

**Consolidated Balance Sheet  
As at 31 December 2007**

		2007			2006		
	Notes	Syndicate £000	Other £000	Total £000	Syndicate £000	Other £000	Total £000
<b>LIABILITIES</b>							
<b>Capital and reserves</b>							
Called up share capital	17	-	54	54	-	54	54
Profit and loss account	18	3,293	(2,992)	301	2,096	(1,169)	927
<b>Total shareholders' funds</b>	19	<u>3,293</u>	<u>(2,938)</u>	<u>355</u>	<u>2,096</u>	<u>(1,115)</u>	<u>981</u>
<b>Technical provisions</b>							
Provision for unearned premium		34,834	-	34,834	21,586	-	21,586
Claims outstanding		39,064	-	39,064	24,704	-	24,704
Open year loss provisions		-	-	-	-	71	71
		<u>73,898</u>	<u>-</u>	<u>73,898</u>	<u>46,290</u>	<u>71</u>	<u>46,361</u>
<b>Creditors Due within one year</b>							
Creditors arising out of direct insurance operations		218	-	218	78	-	78
Creditors arising out of reinsurance operations		3,348	-	3,348	4,565	-	4,565
Amounts owed to credit institutions		-	-	-	2,076	-	2,076
Other creditors including taxation and social security	20	8,333	10,301	18,634	4,083	12,132	16,215
		<u>11,899</u>	<u>10,301</u>	<u>22,200</u>	<u>10,802</u>	<u>12,132</u>	<u>22,934</u>
<b>Creditors Due after one year</b>							
Other creditors	20	17	7,776	7,793	1	7,776	7,777
<b>Accruals and deferred income</b>							
		<u>904</u>	<u>3,848</u>	<u>4,752</u>	<u>191</u>	<u>3,366</u>	<u>3,557</u>
<b>TOTAL LIABILITIES</b>							
		<u>90,011</u>	<u>18,987</u>	<u>108,998</u>	<u>59,380</u>	<u>22,230</u>	<u>81,610</u>

**Argenta Holdings plc**

**Company Balance Sheet  
As at 31 December 2007**

	Notes	2007 £000	2006 £000
<b>Fixed assets</b>			
Investments	15	<u>8,251</u>	<u>8,250</u>
<b>Current assets</b>			
Other debtors	16	3,866	2,973
Prepayments and accrued income		15	6
Cash at bank		<u>275</u>	<u>11</u>
		<u>4,156</u>	<u>2,990</u>
<b>Creditors Amounts falling due within one year</b>			
Amounts due to associate undertakings		1,798	-
Other creditors including taxation and social security	20	159	552
Accruals and deferred income		<u>70</u>	<u>20</u>
		<u>2,027</u>	<u>572</u>
<b>Creditors Amounts falling due after one year</b>			
Other creditors	20	7,776	7,776
<b>Total assets less current liabilities</b>		<u>10,380</u>	<u>10,668</u>
<b>Net assets</b>		<u>2,604</u>	<u>2,892</u>
<b>Capital and reserves</b>			
Called up share capital	17	54	54
Profit and loss account	18	<u>2,550</u>	<u>2,838</u>
<b>Total shareholders' funds</b>	19	<u>2,604</u>	<u>2,892</u>

The financial statements on pages 5 to 25 were approved by the Board of directors on 30 July 2008 and signed on its behalf by



**Mr A J Annandale**  
Director

**Argenta Holdings plc**

**Consolidated Cash Flow Statement  
For the year ended 31 December 2007**

		2007 £000	2006 £000
	Notes		
<b>OPERATING ACTIVITIES</b>			
Net cash inflow from ordinary activities	23(a)	2,461	1,125
Return on investments and servicing of finance			
Interest received		323	174
Interest paid		(559)	(698)
		(236)	(524)
Acquisitions and disposals			
Cash acquired with subsidiary undertakings		48	-
		48	-
Taxation		-	(248)
Financing		-	-
<b>Net cash inflow</b>		<b>2,273</b>	<b>353</b>
<b>CASH FLOWS WERE INVESTED AS FOLLOWS</b>			
<b>Increase in cash holdings</b>	23(b)	<b>2,273</b>	<b>353</b>

## **Argenta Holdings plc**

### **Notes to the financial statements For the year ended 31 December 2007**

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#### **1 Basis of preparation**

##### **(a) Current basis**

The financial statements have been prepared in accordance with 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 (as amended in December 2006), with the exception of the treatment of the profit/loss on exchange of syndicate participations which have been recognised in the Technical Account

##### **(b) Basis of consolidation**

The consolidated financial statements include the assets, liabilities and results of the company and its subsidiary undertakings up to the year end. The results of subsidiary undertakings are consolidated from the date of acquisition to the date of disposal. No individual profit and loss account is presented for the company, as permitted by Section 230 of the Act.

##### **(c) Recognition of insurance transactions**

Preparing financial statements in accordance with Section 255 of, and Schedule 9A to, the Act requires 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 Group's proportion of the underwriting transactions, investment return and operating expenses are reflected within the Group's profit and loss account. Similarly, its proportion of the syndicate's assets and liabilities are reflected in its balance sheet (under the column heading "syndicate"). The "syndicate" assets are held subject to trust deeds for the benefit of the Group's insurance creditors. The proportion referred to above is calculated by reference to the Group's participation as a percentage of the syndicate's total capacity.

The Group 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(e) below).

##### **(d) Sources of data**

The information used to compile the technical account and the "syndicate" balance sheet are based on returns prepared for this purpose by the managing agents of the syndicates ("the Returns"). These Returns are subjected to audit by the syndicate auditors and are based on the audited syndicate returns to Lloyd's and the audited annual reports to syndicate members.

This base data is adjusted as necessary so that the Returns reflect the differences in preparation between syndicate annual reports and financial statements in accordance with Schedule 9A. The format of the Returns has been established by Lloyd's and Lloyd's is also responsible for collating the data at a syndicate level and analysing it into corporate member level results.

## **Argenta Holdings plc**

### **Notes to the financial statements For the year ended 31 December 2007**

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#### **2 Accounting Policies**

##### **(a) Accounting convention**

The financial statements are prepared under the historical cost convention as modified by the revaluation of financial investments and in accordance with applicable accounting standards

##### **(b) Basis of accounting for underwriting results**

In June 2003, the EU Insurance Accounts Directive ("the Directive") was amended so that syndicates were no longer required to prepare accounts on the 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

The transition by Lloyd's to the annual basis of accounting for the Returns and for its central Schedule 9A facility means that the annual accounting information is available to allow the financial statements of the Group to be prepared on this basis

##### **(c) Premiums**

Premiums written comprise the total premiums receivable for the whole year 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" receivable (see 2 (f) below). Premiums written by a syndicate may also include the reinsurance of other syndicates on which the Group participates

No adjustments have been made to gross premiums written or outward reinsurance premiums (or to gross and reinsurers' claims) to remove this inter syndicate 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 establishing earnings patterns or time apportionment as appropriate

Outward reinsurance premiums may include "reinsurance to close" payable (see 2 (f) below)

##### **(d) 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 prior years differs from the provision at the beginning of the year

##### **(e) Provision for claims**

Claims incurred include the cost of claims handling expenses but are net of recoverable amounts arising from subrogation or salvage. Claims incurred comprise amounts paid or provided in respect of claims occurring during the current year, together with the amount by which settlement or restatement of claims from prior years differs from the provision at the beginning of the year

## Argenta Holdings plc

### Notes to the financial statements For the year ended 31 December 2007

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#### 2 Accounting policies (continued)

##### (e) Provision for claims (continued)

Claims outstanding comprise amounts set aside for claims notified and claims incurred but not reported ("IBNR") Provision is made for claims incurred but not paid in respect of events up to 31 December of the appropriate year The provision is based on the returns and reports from the syndicates' Managing Agents The provision is increased as appropriate by the directors to the extent that deficits beyond those anticipated by the Managing Agents are expected to arise

##### (f) 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 discharge 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 Group participates on successive years of account of the same syndicate and there is a reinsurance to close between those years, the Group has offset its share of the reinsurance to close received against its share of the reinsurance to close paid

If the Group 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 Group has assumed a greater proportion of the business of the syndicate If the Group 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 Group'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 Group's outstanding gross liabilities in respect of the business so reinsured

**Argenta Holdings plc**

**Notes to the financial statements  
For the year ended 31 December 2007**

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**2 Accounting policies (continued)**

**(g) Investments**

Listed and other traded investments are stated at mid-market values. Other investments, including unlisted investments and subsidiary undertakings, are stated at directors' valuations.

Unrealised gains and losses are recognised in the consolidated profit and loss account.

**(h) Investment income**

Investment income comprises interest receivable and dividends received plus realised 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.

Where investments represent the Group's share of syndicate investments, they are treated as sold and repurchased at each year end in recognition of the annual venture nature of participation on a syndicate. The cost of these investments is therefore their market value at each 31 December. The realised gains reported by syndicates are net of any realised losses.

All investment income, net of realised losses is initially recorded in the non-technical account. All investment income arising on syndicate participations is allocated to the technical account. Other investment income is attributable to the non-technical account.

**(i) Net operating expenses**

Operating expenses are recognised when incurred. They will include the Group's share of syndicate operating expenses, the remuneration payable to managing agents (and the Group's members' agent/Lloyd's adviser) and the direct costs of membership of Lloyd's.

**(j) Other charges**

Expenses not attributable to underwriting or investment management are recognised when incurred.

**(k) Foreign currencies**

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

**(l) Income from other activities**

Management fees are receivable annually in advance and are recorded in the accounting year to which they relate.

Underwriting profit commission is recorded in the accounting year in which it can be estimated with sufficient reliability. Winding up fees are recorded in the year in which they are determined.

ATCL fees are accounted for in the year in which they are earned and are included in revenue exclusive of VAT.



**Argenta Holdings plc**

**Notes to the financial statements**

**For the year ended 31 December 2007**

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**2 Accounting policies (continued)**

**(m) Pensions**

Pension costs to the defined contribution scheme are charged to the profit and loss account as they accrue

**(n) Taxation**

The Group 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

HM Revenue and Customs ("HMRC") determines the taxable results of syndicates on the basis of computations submitted by the managing agent. Any adjustments that may be necessary to the tax provisions established by the company as a result of HMRC's agreement of individual syndicate taxable results will be reflected in the financial statements of subsequent years. Other profits are assessable to corporation tax in the same year as they are recognised for accounting purposes, after adjustment in accordance with tax legislation.

**(o) Tangible fixed assets**

Depreciation is provided on all tangible fixed assets on a straight line basis in order to write off the cost of the assets, less their estimated residual values, over their expected useful economic lives. Depreciation rates are within the following ranges:

Office fixtures and equipment	10 - 20%
Computer hardware and software	20 - 33%

**(p) 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. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in years different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit those earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

**(q) Amortisation of goodwill**

Goodwill on acquisition of business is amortised on a straight line basis over a year determined by the directors in order to write off the cost of the assets over their expected useful economic lives.

# Argenta Holdings plc

## Notes to the financial statements For the year ended 31 December 2007

### 3 Segmental information

Underwriting year ended 31 December 2007	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Net operating expenses £000	Reinsurance balance £000	Total £000
Direct business						
Accident and Health	514	76	(14)	(127)	(2)	(67)
Motor – third party liability	-	-	3	-	-	3
Motor – Other Classes	512	439	(225)	(148)	(44)	22
Marine, aviation and transport	11,435	7,064	(3,794)	(2,171)	(2,024)	(925)
Fire and other damage to property	58,585	48,354	(19,531)	(16,924)	(7,560)	4,339
Third party liability	1,632	944	(153)	(491)	-	300
Credit and suretyship	636	360	(596)	(88)	73	(251)
Legal Expenses	-	-	-	-	-	-
Other	-	-	84	-	-	84
Total direct	73,314	57,237	(24,226)	(19,949)	(9,557)	3,505
Reinsurance business Reinsurance acceptances	4,277	5,769	1,153	(1,773)	(2,838)	2,311
Total reinsurance	4,277	5,769	1,153	(1,773)	(2,838)	2,311
Total	77,591	63,006	(23,073)	(21,722)	(12,395)	5,816

Underwriting year ended 31 December 2006	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Net operating expenses £000	Reinsurance balance £000	Total £000
Direct business						
Accident and Health	-	-	2	2	-	4
Motor – third party liability	-	-	7	-	4	11
Motor – Other Classes	150	217	(170)	(49)	(19)	(21)
Marine, aviation and transport	1,120	180	(157)	(59)	55	19
Fire and other damage to property	28,078	14,876	(7,768)	(4,366)	(903)	1,839
Third party liability	209	96	(77)	(18)	(47)	(46)
Credit and suretyship	260	330	(85)	(32)	81	294
Legal Expenses	-	-	2	-	-	2
Other	-	-	-	-	-	-
Total direct	29,817	15,699	(8,246)	(4,522)	(829)	2,102
Reinsurance business Reinsurance acceptances	28,053	26,498	(13,959)	(6,336)	(7,213)	(1,010)
Total reinsurance	28,053	26,498	(13,959)	(6,336)	(7,213)	(1,010)
Total	57,870	42,197	(22,205)	(10,858)	(8,042)	1,092

# Argenta Holdings plc

## Notes to the financial statements For the year ended 31 December 2007

### 3 Segmental information (continued)

#### (Loss)/profit before tax

	2007 £000	2006 £000
Lloyd's managing agency (ASML)	383	730
Lloyd's members' agency (APCL) and taxation services (ATCL)	4,607	1,315
Holding company	(289)	1,724
Underwriting investment	(2,557)	239
Other	(2,751)	(2,079)
	<u>(607)</u>	<u>1,929</u>

#### Net assets

	2007 £000	2006 £000
Lloyd's managing agency (ASML)	977	628
Lloyd's members' agency (APCL) and taxation services (ATCL)	4,521	2,100
Holding company	2,604	2,892
Underwriting investment	(3,056)	(61)
Other	(4,691)	(4,578)
	<u>355</u>	<u>981</u>

Underwriting investment includes other associated companies. Other losses relates to amortisation on consolidation and other consolidation adjustments. The whole of the Group's business activities arise within the United Kingdom.

### 4 Net operating expenses

	2007 £000	2006 £000
Acquisition costs	23,684	13,430
Change in deferred acquisition costs	(4,869)	(4,854)
Administrative expenses	2,720	1,049
Personal expenses	1,492	1,203
Exchange adjustments	(1,305)	30
	<u>21,722</u>	<u>10,858</u>

### 5 Investment return

	2007 £000	2006 £000
Syndicate		
Investment income	1,449	279
Realised gains on investments	28	5
	<u>1,477</u>	<u>284</u>
Non-syndicate		
Deposit interest	339	192
	<u>1,816</u>	<u>476</u>

**Argenta Holdings plc**

**Notes to the financial statements  
For the year ended 31 December 2007**

<b>6</b>	<b>Investment expenses and charges</b>		
		2007	2006
		£000	£000
	Syndicate		
	Investment management charges	34	8
	Realised losses on investments	56	9
		<u>90</u>	<u>17</u>
<b>7</b>	<b>Income from other activities</b>		
		2007	2006
		£000	£000
	Non-Syndicate		
	Lloyd's managing agency (ASML)	1,523	807
	Lloyd's members' agency (APCL) and taxation service (ATCL)	8,728	9,008
	Underwriting investment	1,202	760
	Holding company	616	561
		<u>12,069</u>	<u>11,136</u>
<b>8</b>	<b>(Loss)/profit on ordinary activities before tax</b>		
		2007	2006
		£000	£000
	The (loss)/profit on ordinary activities before tax is stated after charging		
	Amortisation of purchased goodwill	438	401
	Depreciation of tangible fixed assets	74	67
	Staff costs (note 9)	3,888	3,374
	Fees payable to the company's auditors for the audit of the Company's annual accounts	15	13
	Fees payable to the Company's auditors for other services		
	- the audit of the company's subsidiaries	41	35
	- tax services	36	51
	- other services	305	305
<b>9</b>	<b>Staff costs – including executive directors</b>		
		2007	2006
		£000	£000
	Salaries and associated expenses		
	Wages and salaries	3,221	2,781
	Social security costs	387	339
	Pensions	280	254
		<u>3,888</u>	<u>3,374</u>
	Average number of employees	2007	2006
	Argenta central services	18	17
	Lloyd's managing agency (ASML)	58	55
	Lloyd's members' agency (APCL) and taxation services (ATCL)	36	38
		<u>112</u>	<u>110</u>

During the year 4 directors (2006 2) were accruing benefits under a defined contribution scheme

# Argenta Holdings plc

## Notes to the financial statements For the year ended 31 December 2007

### 10 Directors' remuneration

Remuneration disclosed below relates to directors who are remunerated specifically for their services to the Group

	2007 £000	2006 £000
Aggregate emoluments	590	355
Pension contributions	63	19
	<u>653</u>	<u>374</u>

Directors' remuneration includes amounts paid to the highest paid director of

	2007 £000	2006 £000
Aggregate emoluments	428	306
Pension contributions	51	17
Aggregate emoluments	<u>479</u>	<u>323</u>

### 11 Taxation on (loss)/profit on ordinary activities

#### a) Analysis of charge in the year

	2007 £000	2006 £000
Current tax		
United Kingdom corporation tax on (loss)/profit of the year	-	-
Adjustments in respect of prior periods	-	(24)
	<u>-</u>	<u>(24)</u>
Deferred tax		
Origination and reversal of timing differences	18	30
Tax on profit on ordinary activities	<u>18</u>	<u>6</u>

#### b) Factors affecting the tax charge for the year

	2007 £000	2006 £000
(Loss)/profit on ordinary activities before tax	<u>(607)</u>	<u>1,935</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2006 30%)	(182)	581
Effects of		
Expenses not deductible for tax purposes and other permanent differences	451	457
Non taxable income	(323)	(193)
Depreciation in excess of capital allowances	(15)	(30)
Creation/(utilisation) of tax losses	454	(815)
Prior year over provision	-	(24)
Other timing differences	<u>(385)</u>	<u>-</u>
Current tax charge for the year (see (a) above)	<u>-</u>	<u>(24)</u>

# Argenta Holdings plc

## Notes to the financial statements For the year ended 31 December 2007

### 12 Intangible assets – Group

	Positive Goodwill £000	Negative Goodwill £000	Total £000
Cost			
At 1 January 2007	5,726	(1,202)	4,524
Additions	438	-	438
At 31 December 2007	6,164	(1,202)	4,962
Amortisation			
At 1 January 2007	1,927	(687)	1,240
Charged in the year	609	(171)	438
At 31 December 2007	2,536	(858)	1,678
Net book value at 31 December 2007	3,628	(344)	3,284
Net book value at 31 December 2006	3,799	(515)	3,284

All goodwill is being amortised on a straight-line basis over the directors' estimation of its useful economic life. Goodwill arising on the acquisition of Argenta Underwriting No 5 Limited (formerly Venensloot Limited) during 2007, is being amortised over three years.

### 13 Tangible fixed assets – Group

	Office fixtures and equipment £000	Computer hardware & software £000	Total £000
Cost			
At 1 January 2007 and 31 December 2007	501	243	744
Depreciation			
At 1 January 2007	313	177	490
Charged in the year	45	29	74
At 31 December 2007	358	206	564
Net book value at 31 December 2007	143	37	180
Net book value at 31 December 2006	188	66	254

### 14 Other financial investments

	Cost		Current value	
	2007 £000	2006 £000	2007 £000	2006 £000
Shares and other variable yield securities	10,674	2,037	10,629	2,037
Debt securities and other fixed income securities	27,180	8,364	27,300	8,426
Participation in investment pools	5	806	9	719
Loans secured by mortgages	3,556	-	3,557	-
Deposits with credit institutions	252	130	252	130
Overseas deposits	11	-	11	-
Other loans	4	539	4	539
	41,682	11,876	41,762	11,851

## Argenta Holdings plc

### Notes to the financial statements

For the year ended 31 December 2007

#### 15 Investment in subsidiary undertakings

The company's principal subsidiary undertakings at 31 December 2007 were

	Country of registration	Class of share and percentage held
Argenta Private Capital Limited	England & Wales	100% of ordinary voting shares of £1 each
Argenta Syndicate Management Limited	England & Wales	100% of ordinary voting shares of 1p each
Argenta Underwriting No 1 Limited	England & Wales	100% of ordinary voting shares of £1 each
Argenta Underwriting No 2 Limited	England & Wales	100% of ordinary voting shares of 1p each
Argenta Underwriting No 3 Limited	England & Wales	100% of ordinary voting shares of £1 each
Argenta Underwriting No 4 Limited	England & Wales	100% of ordinary voting shares of 1p each
Argenta Underwriting No 5 Limited	England & Wales	100% of ordinary voting shares of £1 each
Argenta Underwriting No 6 Limited	England & Wales	100% of ordinary voting shares of £1 each

Argenta Holdings plc currently holds the entire share capital of ACAL Underwriting Limited, as an interim measure. The beneficial ownership of all profits and losses from this company are not held by Argenta Holdings plc or any other company within its group and therefore it has not been consolidated.

The aggregate value of the capital and reserves of ACAL at 31 December 2007 was (£206,000) (2006 (£1,319,000)) and the profit for the year was £1,113,000 (2006 loss (£585,000)).

On 26 September 2007, 100% of the share capital of Argenta Underwriting No 5 Limited (formerly Vennensloot Limited) was acquired for a cash consideration of £1. This acquisition has been accounted for by the acquisition method of accounting.

The profit after tax of Argenta Underwriting No 5 Limited was as follows

	2007 £000	2006 £000
From 1 January to 26 September 2007	1,424	-
Financial year ended 31 December 2007	1,425	2

The profit after taxation of Argenta Underwriting No 5 Limited included in the consolidated accounts was £1,000. The directors consider the book values of the assets and liabilities acquired are a fair estimation of their fair values. Accordingly, no fair value adjustments have been made.

**Argenta Holdings plc**

**Notes to the financial statements  
For the year ended 31 December 2007**

**16 Other debtors**

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Amounts falling due within one year				
Amounts receivable from managed syndicates	246	305	-	-
Amounts receivable from subsidiary undertakings	-	-	3,818	2,910
Other	<u>7,679</u>	<u>12,718</u>	<u>48</u>	<u>63</u>
	<u>7,925</u>	<u>13,023</u>	<u>3,866</u>	<u>2,973</u>
Amounts falling due after one year				
Other	<u>222</u>	<u>222</u>	<u>-</u>	<u>-</u>

**17 Called up share capital**

	2007 Number	2007 £000	2006 Number	2006 £000
Authorised, allotted and called up				
Ordinary voting 'A' shares of 1p each	<u>5,416,668</u>	<u>54</u>	<u>5,416,668</u>	<u>54</u>

**18 Profit and loss account**

Group	2007 £000	2006 £000
At 1 January	<u>927</u>	<u>(1,002)</u>
Retained (loss)/profit for the year	<u>(626)</u>	<u>1,929</u>
As at 31 December	<u>301</u>	<u>927</u>
Company	2007 £000	2006 £000
At 1 January	2,838	1,114
Retained (loss)/profit for the year	<u>(288)</u>	<u>1,724</u>
At 31 December	<u>2,550</u>	<u>2,838</u>

**19 Reconciliation of movements in shareholders' funds**

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
(Loss)/profit for the financial year	<u>(626)</u>	<u>1,929</u>	<u>(288)</u>	<u>1,724</u>
Net reduction to shareholders' funds	<u>(626)</u>	<u>1,929</u>	<u>(288)</u>	<u>1,724</u>
Opening shareholders' funds	981	(948)	2,892	1,168
Closing shareholders' funds	<u>355</u>	<u>981</u>	<u>2,604</u>	<u>2,892</u>
Equity shareholder's funds	<u>355</u>	<u>981</u>	<u>2,604</u>	<u>2,892</u>



# Argenta Holdings plc

## Notes to the financial statements

For the year ended 31 December 2007

### 20 Other creditors including taxation and social security

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Amounts falling due within one year				
Bank loans	-	500	-	500
Other	10,301	11,632	159	52
	<u>10,301</u>	<u>12,132</u>	<u>159</u>	<u>552</u>
Amounts falling due after one year				
Bank loans	7,776	7,776	7,776	7,776
Other	-	-	-	-
	<u>7,776</u>	<u>7,776</u>	<u>7,776</u>	<u>7,776</u>

Pursuant to an agreement entered into in September 2005, the bank loans are secured by a fixed and floating charge over the company's assets in favour of The Royal Bank of Scotland plc

### 21 Deferred taxation

	2007 £000	2006 £000
Group		
Opening provision	72	102
Charge during the year	(18)	(30)
Closing provision	<u>54</u>	<u>72</u>

### 22 Provision for future losses

	At 1 Jan 2007 £000	Profit and loss account transfers £000	At 31 Dec 2007 £000
1999 Underwriting Year	26	(26)	-
2000 Underwriting Year	15	(15)	-
2001 Underwriting Year	30	(30)	-
Total	<u>71</u>	<u>(71)</u>	<u>-</u>

### 23 Consolidated cash flow statement

(a) Reconciliation of (loss)/profit from ordinary activities before tax to net cash flow from ordinary activities

	2007 £000	2006 £000
(Loss)/profit on ordinary activities before tax	(607)	1,935
Adjustments to convert revenue to a cash basis		
Interest receivable	(339)	(192)
Interest payable	617	590
Depreciation and amortisation	512	468
Decrease/(increase) in debtors	5,098	(2,220)
Decrease in prepayments and accrued income	344	2,798
Decrease in creditors relating to ordinary activities	(3,575)	(2,985)
Increase in accruals and deferred income	482	713
(Decrease)/increase in provisions	(71)	18
Net cash inflow from ordinary activities	<u>2,461</u>	<u>1,125</u>

# Argenta Holdings plc

## Notes to the financial statements For the year ended 31 December 2007

### 23 Consolidated cash flow statement (continued)

Technical account transactions represent the Group's share of the transactions undertaken by syndicates. The cash flows arising from these transactions are not remitted to, or paid by, the Group but paid into or out of syndicate premiums trust funds held by trustees appointed by the managing agent of each syndicate. If the syndicate's premium trust funds are insufficient for the syndicate to meet its liabilities as they fall due, a cash call is made by the managing agent on all members of the syndicate and the Group 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 Group receives or pays its pro-rata share of any profit distributed or loss collected.

The consolidated cash flow statement excludes syndicate flows and cash held with Lloyd's premium trust funds on behalf of the Group's underwriting subsidiaries.

#### (b) Analysis of changes in net debt

	At 1 January 2007	Cashflow	Other non-cash changes	At 31 December 2007
	£000	£000	£000	£000
Cash in hand, at bank	3,583	2,273	-	5,856
Debt due within one year	500	(500)	-	-
Debt due after one year	7,776	-	-	7,776
	8,276	(500)	-	7,776
	<u>11,859</u>	<u>1,773</u>	<u>-</u>	<u>13,632</u>

#### (c) Major Non-Cash Transactions

Part of the consideration for the purchase of subsidiary undertakings that occurred during 2007 comprised assets as set out below.

	2007 £000	2006 £000
Net assets acquired		
Cash at bank and in hand	48	-
Creditors and accruals	(485)	-
	<u>(437)</u>	<u>-</u>
Goodwill	437	-
Total	<u>-</u>	<u>-</u>
Satisfied by		
Consideration	<u>-</u>	<u>-</u>

## Argenta Holdings plc

### Notes to the financial statements

For the year ended 31 December 2007

#### 24 Pensions

The total pension costs for the Group during the year were £280,000 (2006 £254,000). Pension costs shown in note 9 are based on an apportionment of the costs incurred by the Group in respect of the Group personal pension scheme and the defined contribution scheme.

The Group operated a Group personal pension scheme during the year. The assets of the scheme were held separately from those of the Group in independently administered funds.

Contributions are assessed in accordance with the advice of independent professionally qualified actuaries.

#### 25 Related party disclosures

The Group's capacity for the 2005, 2006 and 2007 underwriting years was placed as follows:

<u>2007 Underwriting</u>		Group Syndicate Capacity	Total Syndicate Capacity
Syndicate	Managing Agent	£000	£000
2121	Argenta Syndicate Management Limited	75,833	89,447
3334	Argenta Syndicate Management Limited	5,000	15,000
<u>2006 Underwriting</u>		Group Syndicate Capacity	Total Syndicate Capacity
Syndicate	Managing Agent	£000	£000
2121	Argenta Syndicate Management Limited	59,127	90,337
<u>2005 Underwriting</u>		Group Syndicate Capacity	Total Syndicate Capacity
Syndicate	Managing Agent	£000	£000
2121	Argenta Syndicate Management Limited	15,698	75,802

The Managing Agent (ASML) charges between 0.75% and 1.5% of capacity for managing the syndicates' underwriting, in addition to a profit commission on profits of Syndicate 2121 of 15%.

#### 26 Ultimate Controlling Party

As at the balance sheet date, the company's ultimate controlling party, with a majority shareholding interest, was Mr A J D Locke.