

Syndicate Capital (No. 5) Limited

Directors' report and financial
statements

Registered number 2842678
31 December 2005



CONTENTS

	Page
Directors' Report	3 - 5
Report of the Independent Auditor to the Members of Syndicate Capital (No. 5) Limited	6 - 7
Profit and Loss Account	8
Balance Sheet	9
Reconciliation of Movements in Shareholders' Funds	10
Notes to the Financial Statements	11 - 14

DIRECTORS' REPORT

Principal activity and status

The company, a wholly owned subsidiary of Mayheld Limited, was formed to take advantage of the opportunity provided by the admission of corporate capital to the Lloyd's insurance market. *It is a corporate member of Lloyd's and entered into underwriting commitments by participating in Lloyd's syndicates.*

The company ceased underwriting from the end of the 1998 underwriting account and has no open year participations.

Results and dividends

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

The results of the company for the year ended 31 December 2005 are set out on page 8.

No final preference dividend has been paid or proposed (2004: £nil). No ordinary dividend has been paid or proposed (2004: £nil).

Going Concern

Notwithstanding the deficit in shareholders' funds the company has been treated as a going concern as the company continues to receive financial and other support from its immediate parent company Mayheld Limited.

Directors' report (*continued*)

Directors and directors' interests

The directors who held office during the year were as follows:

J C R Batty
J M Massey

No director had any interest in the share capital of the company or any other body corporate in the same group during the period under review. No options or any other rights to acquire shares in of any member of the group have been granted to or exercised by the directors or any members of their families during the year.

The directors received no remuneration in respect of their services as directors of the company during the year. The directors received fees from the company's immediate parent company, Mayheld Limited, in respect of the year ended 31 December 2005.

The company has no employees.

There are no loans or guarantees granted or provided by the company to any director nor are any service contracts in existence between the company and any director.

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The financial statements are prepared in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company as at 31 December 2005 and of the result of the company for the year then ended.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Directors' report (*continued*)

Registered office

The registered office of the company is situated at 71 Fenchurch Street, London EC3M 4HH.

Auditor

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditor annually and KPMG Audit Plc will therefore continue in office.

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'M J Turvey', is written over a light blue horizontal line.

M J Turvey
Company Secretary
71 Fenchurch Street
London
EC3M 4HH

6 June 2006

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE CAPITAL (NO. 5) LIMITED

We have audited the financial statements of Syndicate Capital (No. 5) Limited for the year ended 31 December 2005 which comprises the Profit and Loss Account, the Balance Sheet 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 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's 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 on page 4, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and *International Standards on Auditing* (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you 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 other transactions 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 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its result for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
London
EC4Y 8BB

6 June 2006

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2005

		2005 £	2004 £
Turnover		-	-
Administration expenses	2	(320)	(2,500)
		<hr/>	<hr/>
Loss on ordinary activities before tax		(320)	(2,500)
Tax on loss on ordinary activities	3	-	(101,843)
		<hr/>	<hr/>
Loss for the financial year		(320)	(104,343)
		<hr/>	<hr/>

The company ceased underwriting with effect from the 1998 year of account.

All results for the year and prior year relate to discontinued activities.

There were no gains or losses other than those included in the profit and loss account for the year and prior year.

The notes on pages 11 to 14 form an integral part of these financial statements and include details of the basis of preparation in note 1.

BALANCE SHEET
As at 31 December 2005

		2005	2004
		£	£
ASSETS			
Total assets		-	-
		<hr/>	<hr/>
LIABILITIES			
Capital and reserves			
Called up share capital	4	3	3
Profit and loss account	4	(57,389)	(57,069)
		<hr/>	<hr/>
Shareholders' funds		(57,386)	(57,066)
		<hr/>	<hr/>
Creditors			
Other creditors including taxation	5	57,386	57,066
		<hr/>	<hr/>
Total liabilities		-	-
		<hr/>	<hr/>

Approved by the Board on 6 June 2006
 and signed on its behalf by


 J C R Batty
 Director

The notes on pages 11 to 14 form an integral part of these financial statements and include details of the basis of preparation in note 1.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
For the year ended 31 December 2005

	Notes	2005 £	2004 £
Loss for the financial year		(320)	(104,343)
Opening shareholders' funds		(57,066)	47,277
Closing shareholders' funds		<u>(57,386)</u>	<u>(57,066)</u>

The notes on pages 11 to 14 form an integral part of these financial statements and include details of the basis of preparation in note 1.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2005

1. Accounting policies

Basis of preparation

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Notwithstanding the deficit in shareholders' funds the Company has been treated as a going concern as the Company continues to receive financial and other support from its immediate parent company Mayheld Limited.

Deferred tax

No deferred tax asset has been recognised as the company has ceased underwriting and consequently has no future profits to utilise such an asset.

Related party transactions

As the company is a wholly owned subsidiary of Mayheld Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Mayheld Limited, within which this company is included, can be obtained from the address given in note 7.

Notes to the financial statements (*continued*)

2. Administration expenses

For the year ended 31 December 2005, administration expenses relate to interest expenses on overdue tax settled by another group company. Auditor's remuneration of £1,000 was borne by another group company in the year. The result for the year ended 31 December 2004 is stated after charging auditor's remuneration of £1,000 for audit and £1,500 for non audit services.

3. Taxation

	2005 £	2004 £
Current tax	-	101,843

There is no current tax charge as the company has no taxable profits. For the year ended 31 December 2004, the current tax charge was higher than the standard rate of corporation tax in the UK (30%). The difference is explained as follows:

	2005 £	2004 £
Current tax reconciliation		
Loss before tax	(320)	(2,500)
Corporation tax at 30% (2004: 30%)	(96)	(750)
Adjustment in respect of prior periods – overseas tax	-	101,456
Adjustment in respect of prior periods – UK tax	-	1,137
Losses not recognised	96	-
	-	101,843

No deferred tax asset has been recognised as the company has ceased underwriting and consequently has no anticipated future profits to utilise such an asset. The amount of unrecognised deferred tax asset is £100.

Notes to the Financial Statements (*continued*)

4. Share capital and reserves

	2005	2004
	£	£
<i>Share capital - authorised:</i>		
99 ordinary shares of £1 each	99	99
1 preference share of £1	1	1
	<hr/>	<hr/>
	100	100
	<hr/>	<hr/>
<i>Share capital - allotted, called up and fully paid:</i>		
2 ordinary shares of £1 each	2	2
1 preference share of £1	1	1
	<hr/>	<hr/>
	3	3
	<hr/>	<hr/>

The preference share entitles the holder to a return of capital and any undistributed underwriting profits on winding up. It carries no voting rights.

	2005	2004
	£	£
<i>Profit and loss account</i>		
Loss for the financial year	(320)	(104,343)
As at beginning of year	(57,069)	47,274
	<hr/>	<hr/>
As at end of year	(57,389)	(57,069)
	<hr/>	<hr/>

5. Other creditors including taxation

	2005	2004
	£	£
Amounts due to parent undertaking	57,386	57,066
	<hr/>	<hr/>

Notes to the Financial Statements (*continued*)

6. Contingent liabilities

There are fourteen other corporate member subsidiaries of Mayheld Limited. If one of these subsidiaries fails to meet any of its Lloyd's obligations, Lloyd's will:

- (i) be entitled to require the other subsidiaries to cease or reduce their underwriting (none of the Mayheld subsidiaries continued underwriting beyond 1999 in any event); and/or
- (ii) having regard to the fact that the Central Fund may be applied to discharge the obligations of the defaulting subsidiary, be entitled to require each of the other corporate member subsidiaries to make contributions to the Central Fund up to the amount of their respective net profits held from time to time in premiums trust funds, sufficient to reimburse the Central Fund in full for any payment made on behalf of the defaulting member.

At the date of these financial statements the directors are not aware of any other corporate member subsidiary of Mayheld Limited failing to meet any of its Lloyd's obligations.

As part of the disposal of the company to Mayheld Limited, Syndicate Capital Underwriting Limited, a subsidiary of Novae Holdings PLC (formerly SVB Holdings PLC), the Company's former ultimate parent company, agreed to indemnify Mayheld Limited and the shareholders of Mayheld Limited against any loss, damage, costs, liabilities, claims, cash calls and expenses to the extent that the same are not covered by the Mayheld group's reinsurance contract with a major European insurer in respect of its remaining open year participations in Lloyd's syndicates.

Where the company participates on a syndicate which closes, it pays a reinsurance to close premium to other Lloyd's Names or an insurer external to Lloyd's to assume its ongoing liabilities. The nature of this arrangement is that of reinsurance, such that the company retains liability in the event of failure of these Lloyd's Names and the Lloyd's chain of security or any external insurer. There is no mechanism for the group to quantify its exposure in this regard and the directors consider that the possibility of having to re-assume these liabilities is remote.

7. Ultimate parent company

The company's immediate parent company is Mayheld Limited, a company registered in England and Wales. The company's ultimate parent company is Ogier Trustee Limited (a company registered in Jersey, located at Pirouet House, Union Street, St Helier, Jersey JE4 9WG), as trustee for the Mayheld Charitable Trust.