

**COTESWORTH CAPITAL LIMITED**  
**(In Provisional Liquidation)**

**REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2008**

**Registered No: 3265777**

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	<b>Page</b>
Directors and Advisers	<b>3</b>
Report of the Directors	<b>4 - 6</b>
Directors Responsibilities	<b>7</b>
Report of the Auditors	<b>8 - 9</b>
Profit and Loss Account	<b>10 - 11</b>
Balance Sheet	<b>12</b>
Notes to the Accounts	<b>13 - 18</b>

**Directors**

N W Britten  
G Davies  
B G Devereese  
H G Simons

**Company Secretary**

W Scott

**Registered Office**

8 Salisbury Square  
London EC4Y 8BB

**Bankers**

Barclays Bank plc  
54 Lombard Street  
London EC3V 9EX

**Auditor**

Littlejohn LLP  
1 Westferry Circus  
Canary Wharf  
London  
E14 4HD

**Joint Provisional Liquidators**

T A Riddell and J M Wardrop  
KPMG LLP  
8 Salisbury Square  
London EC4Y 8BB

The directors present their report together with the accounts for the 12 months ended 31 December 2008 which contain the results of various underwriting Years of Account in run-off. The accounts have been prepared using the format for insurance companies and reflect the company's participations in its underlying Lloyd's syndicates.

#### **Results and Dividends**

The loss for the period before after taxation was £30,545,000 (2007: profit of £9,756,000). This loss has arisen principally as a result of an exchange loss of £35,862,000 on the US Dollar amounts owed to the Lloyd's New Central Fund.

No dividend has been declared on the current results.

#### **Review of the Business and Principal Activity and Future Developments**

The principal activity of the company in the period under review was that of a corporate underwriting member of Lloyd's. The company was placed in provisional liquidation on 28 September 2001 following the collapse of its ultimate parent undertaking HIH Insurance Limited. The accounts have therefore not been prepared on a going concern basis.

The company's only remaining Lloyd's participations are shown below:

<b>Syndicate Number</b>	<b>1999 Year of Account £'000</b>	<b>2000 Year of Account £'000</b>	<b>2001 Year of Account £'000</b>
1688	65,000	75,000	82,500

The results for the period are shown on pages 10 to 11.

As at 31 December 2007, all the remaining open years of Syndicates 535, 536 and 228 were closed via underwriting reinsurance to close. The Managing Agent continues to make efforts to close the run-off years of syndicate 1688, but to date it has not been possible to obtain any acceptable quotes. However, the Managing Agent will continue its discussions and all possible avenues to obtain closure are explored.

#### **Risks and Uncertainties**

##### **Risk Management**

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

As the company is in provisional liquidation, it no longer selects new syndicate participations. The syndicates, on which the company participates, are managed by Capita Managing Agency Limited (CMA). The principal barrier to closure remains the currently limited market for underwriting reinsurance to close (RITC). The Board of CMA annually updates its views on risks as part of the syndicates' business planning and assessment of capital required to support those syndicates.

During 2008, Lloyd's agreed, with effect from 31 December 2007, to the RITC proposal for Syndicate 536 and 228 to be RITC to Syndicate 5500, and for Syndicate 535 to be RITC to Centrewrite Limited. Syndicate 1688 is the only remaining syndicate with open underwriting years for the period.

### **Syndicate Risks**

The syndicates' activities expose it to a variety of financial and non-financial risks. The Managing Agent is responsible for managing the syndicates' exposure to these risks and, where possible, introducing controls and procedures that mitigate the effects of the exposure to risk.

Each year, the Managing Agent prepares an Individual Capital Assessment (ICA) for the syndicate, the purpose of this being to agree capital requirements with Lloyd's based on an agreed assessment of the risks impacting the syndicates' business, and the measures in place to manage and mitigate those risks from a quantitative and qualitative perspective. The risks described below are typically reflected in the ICA. The majority of the total assessed value of the risks concerned is usually attributable to insurance risks.

Insurance Risk can be defined as the risk of loss arising from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. Insurance risk includes a variety of risks arising from underwriting, the development of prior years' underwriting, together with the risks inherent in gross versus net underwriting. The principal insurance risk faced by the syndicates is the risk of inadequate reserving of its insurance liabilities and also the future costs of running off the syndicate.

Reinsurance risks arise from the risk that a reinsurer fails to meet their share of a claim. The management of the syndicates' funds is exposed to risks of investment, liquidity, currency and interest rates leading to financial loss. The syndicate is also exposed to regulatory and operational risks including its ability to continue to trade. However, supervision by Lloyd's and the Financial Services Authority provide additional controls over the syndicates' management of risks.

Estimates of losses arising from the Company's participation on the Syndicates have been based on the latest available information. Some years of account are still in run-off and under Lloyd's Syndicate accounting rules must be closed into another Lloyd's Syndicate or Lloyd's own vehicle Centrewrite. Any such successor reinsurers' assessment may well materially differ from the current estimates included in these accounts. The eventual outcome of the years of account therefore remains uncertain, the effect of any over or under estimate will be included in future accounts.

### **Investment and Currency Risks**

The syndicates are exposed to market risk arising from fluctuations in primarily interest and foreign exchange rate movements. The other significant risks faced by the company are with regard to the investment of the available funds within its own custody. The elements of these risks are investment risk, liquidity risk, currency risk and interest rate risk. The company is exposed to currency risks on its assets and liabilities held in US Dollars. Lloyd's of London has agreed to meet certain costs (including any remaining syndicate liabilities) of the Company while in provisional liquidation

### **Regulatory Risks**

The company is subject to continuing approval by Lloyd's to be a member of a Lloyd's syndicate. The risk of this approval being removed is mitigated by monitoring and fully complying with all requirements in relation to membership of Lloyd's.

### **Operational Risks**

As there are relatively few transactions undertaken by the company, there are only limited systems and staffing requirements of the company, which are fulfilled by the Provisional Liquidators and therefore operational risks are not considered to be significant.

### **Directors**

The following served as directors during the year:

N W Britten  
G Davies  
B G Devereese  
H G Simons

The company has no employees.

**Disclosure of Information to the Auditors**

Due to the circumstances of the Company the Directors, who held office at the date of approval of this Report of the Directors, cannot confirm that, so far as they are individually aware, there is no relevant audit information of which the Company's auditors are unaware; and also cannot confirm that each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

**Auditors**

The Company's independent auditors, Littlejohn, have transferred their business to Littlejohn LLP, a limited liability partnership. In accordance with section 26 (5) of the Companies Act 1989, the Directors have consented to the extension of the audit appointment of Littlejohn to its successor firm, Littlejohn LLP.

Signed on behalf of the board.



Director

28<sup>th</sup> October 2009

Company law requires the Directors to prepare accounts for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The accounts are required by law to give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing those accounts, 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 disclosed and explained in the accounts.

As explained in note 1 to the accounts, the Directors do not believe the going concern basis to be appropriate and these accounts have not been prepared on that basis.

The Directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring the Report of the Directors is prepared in accordance with company law in the United Kingdom.

The Directors cannot confirm that the accounts comply with the above requirements.

Subsequent to joint provisional liquidators being appointed, the Directors are no longer responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enabling them to ensure that the accounts comply with the Companies Act 1985. At the same time they ceased to be responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention of fraud and other irregularities.

**Independent Auditors' report to the shareholders of Cotesworth Capital Limited (In Provisional Liquidation)**

We have audited the Accounts of Cotesworth Capital Limited (in Provisional Liquidation) for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Accounting Policies and the related notes 1 to 14. These Accounts have been prepared under the accounting policies set out therein.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective Responsibilities of Directors and Auditors**

The Directors' responsibilities for preparing the Accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Accounts 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 Accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the Accounts.

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

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Accounts. It also includes an assessment of the significant estimates and judgments made in the preparation of the Accounts, 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 Accounts 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 Accounts.



**Independent Auditors' report to the shareholders of Cotesworth Capital Limited (In Provisional Liquidation)**  
**(continued)**

**Opinion: disclaimer on view given by the Accounts**

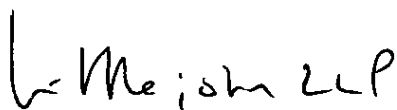
In forming our opinion on the Accounts, we have considered the following matters:

- As described in notes 1 and 2, the Company has been placed in provisional liquidation, and although a provision has been made to meet future costs and underwriting losses it is uncertain whether it will be sufficient to meet all such costs and losses. In addition, certain underwriting years supported by the Company are in run-off. Any successor reinsurers assessment of the premium required to close the year of account may be materially different from the current estimate included in these Accounts.
- Contrary to the provisions of Schedule 9A of the Companies Act 1985, the Accounts of the Company do not include in respect of the Company's Lloyd's participation a number of disclosures including segmental information, and an analysis of investments. These omissions do not have any effect on either the result for the year shown in the profit and loss account, nor the net liabilities as shown in the balance sheet.
- We have not been able to verify inter-company balances as the group members have gone into liquidation and no final accounts have been prepared for these companies for the year ended 30 June 2001 and subsequently.
- We have not been able to conclude on the accuracy of the balances brought forward from the 2007 accounts due to the uncertainties affecting the 2007 accounts.
- In view of the provisional liquidation of the Company, the Directors are unable to confirm that the Accounts have been prepared in accordance with the requirements set out on page 7, nor can the Directors confirm that there is no relevant audit information of which we as auditors are unaware.
- In view of the fundamental nature of the uncertainties and omissions described above we are unable to determine whether proper accounting records have been maintained.

Because of the potential significance to the Accounts of the combined effect of the matters referred to in the paragraph above, we are unable to form an opinion as to whether the Accounts :

- 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 2008 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

Notwithstanding our disclaimer on the view given by the Accounts, in our opinion the information given in the Report of the Directors is consistent with the Accounts.



**Littlejohn LLP**

Chartered Accountants  
and Registered Auditors

28 October 2009

1 Westferry Circus  
Canary Wharf  
London E14 4HD

	Note	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
<b>Technical Account – General Business</b>			
Gross premiums written		394	435
Outward reinsurance premiums		(542)	(508)
		<u>(148)</u>	<u>(73)</u>
Change in provision for unearned premium			
- gross amount		-	2
- reinsurers' share		-	(39)
		<u>(148)</u>	<u>(110)</u>
<b>Earned premiums, net of reinsurance</b>			
Allocated investment return transferred from the non - technical account		3,017	6,299
Claims paid			
- gross amount		(12,923)	(25,193)
- reinsurers' share		3,033	4,286
		<u>(9,890)</u>	<u>(20,907)</u>
Change in the provision for claims			
- gross amount		13,055	50,425
- reinsurers' share		(940)	(25,881)
		<u>12,116</u>	<u>24,544</u>
<b>Claims incurred, net of reinsurance</b>		<u>2,226</u>	<u>3,637</u>
<b>Net operating expenses</b>			
Administrative expenses		(275)	(82)
<b>Balance on the technical account</b>		<u>4,820</u>	<u>9,744</u>

All the syndicates, on which the company participates, have ceased to write new business and are currently running off their underwriting.

The Accounting Policies and Notes on pages 13 to 18 form an integral part of these Accounts

**COTESWORTH CAPITAL LIMITED**  
**(In Provisional Liquidation)**

**PROFIT AND LOSS ACCOUNT**

	Note	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
<b>Non – Technical Account</b>			
<b>Balance Transferred from General Business Technical Account</b>		4,820	9,744
Investment income		2,358	4,990
Net unrealised gains/(losses) on investments		686	1,398
Investment expenses and charges		(26)	(89)
Allocated investment return transferred to the general business technical account		(3,017)	(6,299)
Other charges – includes foreign exchange movements and funding of syndicate losses	3	(35,257)	10
<b>Profit / (Loss) on Ordinary Activities before Taxation</b>	5	<u>(30,436)</u>	<u>9,754</u>
Tax on Loss on Ordinary Activities	6	(109)	-
<b>Profit / (Loss) for the Financial year</b>		<u>(30,545)</u>	<u>9,754</u>

**Statement of Recognised Gains and Losses**

There are no recognised gains and losses other than those included in the profit and loss accounts above.

The Accounting Policies and Notes on pages 13 to 18 form an integral part of these Accounts.

**COTESWORTH CAPITAL LIMITED**  
(In Provisional Liquidation)

**BALANCE SHEET**  
**At 31 December 2008**

**Registered Number: 3265777**

	Note	2008 £'000	2007 £'000
<b>ASSETS</b>			
<b>Investments</b>		43,888	96,457
<b>Reinsurers' share of technical provisions</b>		6,176	5,831
<b>Debtors</b>			
Debtors arising out of direct insurance operations		7	221
Debtors arising out of reinsurance operations		742	5,510
Other debtors	7	17	9,108
		<u>766</u>	<u>14,839</u>
<b>Other assets</b>			
Cash at bank and in hand		2,635	6,371
Other assets		218	-
		<u>2,853</u>	<u>6,371</u>
<b>Total assets</b>		<u>53,683</u>	<u>123,498</u>
<b>LIABILITIES</b>			
<b>Capital and reserves</b>			
Called up share capital	8	18,250	18,250
Profit and loss account		(347,283)	(316,737)
<b>Shareholder's funds</b>		<u>(329,033)</u>	<u>(298,487)</u>
<b>Technical provisions</b>			
Claims outstanding		55,289	57,316
<b>Creditors</b>			
Creditors arising out of direct insurance operations		110	442
Creditors arising out of reinsurance operations		299	127
Reinsurance to close premium		-	38,005
Other creditors	10	327,018	326,095
		<u>327,427</u>	<u>364,669</u>
<b>Total liabilities</b>		<u>53,683</u>	<u>123,498</u>

The Accounting Policies and Notes on pages 13 to 18 form part of these Accounts

Signed on behalf of the board

  
B Devereese

Director

28th October 2009

## **1. Accounting policies**

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

The accounts of the company for the current year have been prepared in accordance with the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985, which cover the disclosures applicable to insurance companies. As a result the accounts include the company's share of all income, expenses, assets and liabilities of the underlying syndicates on which it participates.

The accounts have been prepared in accordance with applicable accounting standards and the recommendations of the Statement of Recommended Practice issued by the Association of British Insurers in December 2005, amended in December 2006.

These accounts have not been prepared on a going concern basis for the reasons stated in note 2. Therefore the assets of the company have been recorded at their expected realisable value and liabilities at the amount they are expected to settle at. The Company made a provision for run-off costs amounting to £1,000,000 at 30 June 2003. In the year ended 31 December 2008 £62,000 (2007 - £132,000 ) of costs were charged against the provision leaving a balance of £300,000 carried forward at 31 December 2008. Further, Lloyd's of London has agreed to meet certain costs of the Company while in provisional liquidation.

It is uncertain whether the provision for run-off costs will be sufficient to meet all future costs of the Company.

Estimates of profits arising from the Company's participation on the Syndicates have been based on the latest available information. Some years of account are still in run-off and under Lloyd's Syndicate accounting rules must be closed into another Lloyd's Syndicate. Any such successor reinsurers' assessment may well materially differ from the current estimates included in these accounts. The eventual outcome of the years of account therefore remains uncertain, the effect of any over or under estimate will be included in future accounts.

There still exists material uncertainty over the level of reserves required in respect of the company's remaining participation on the 1999, 2000 and 2001 year of accounts of Syndicate 1688.

The information contained in the technical account has been extracted from Syndicate returns to 31 December 2008 and 2007. No segmental information or analysis of investments has been given in the accounts. Accordingly the accounts do not fully comply with Schedule 9A of the Companies Act 1985.

In addition, the amounts due from group entities (Note 7) and the inter-company loan (Note 10) have not been agreed with the other companies to whom the amounts are due from or to, as these companies are in liquidation.

### ***Basis of Accounting***

The underwriting results are determined on an annual accounting basis. Under this basis of accounting, a result is determined at the end of each accounting period reflecting the profit or loss from providing insurance coverage during that period and any adjustments to the profit or loss of providing insurance coverage during earlier accounting periods.

### ***Closed Years of Account***

At the end of the third year, the underwriting account is normally closed by reinsurance into the following year of account. The amount of the reinsurance to close premium payable is determined by the managing agent, generally by estimating the cost of claims notified but not settled at 31 December, together with the estimated costs of claims incurred but not reported at that date, and an estimate of future claims handling costs. Any subsequent variation in the ultimate liabilities of the closed year of account is borne by the underwriting year into which it is reinsured.

The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring syndicate was unable to meet its obligations, and the other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle any outstanding claims in respect of that year.

## **1. Accounting policies (continued)**

The directors consider that the likelihood of such a failure of the reinsurance to close is remote and consequently the reinsurance to close has been deemed to settle liabilities outstanding at the closure of an underwriting account. The company has included its share of the reinsurance to close premiums payable as creditors at the end of the current year, and no further provision is made for any potential variation in the ultimate liability of that year of account.

### ***Run-Off Years of Account***

Where an underwriting year of account is not closed at the end of the third year (a 'run-off' year of account) a provision is made for the estimated cost of all known and unknown liabilities of that year. The provision is determined initially by the managing agent on a similar basis to the reinsurance to close. However, any subsequent variation in the ultimate liabilities of that year remains with the corporate member participating therein.

### ***Premiums written***

Gross premiums written comprise the premiums on risks entered into during the accounting period regardless of whether they relate to the actual period. It also includes adjustments to premiums written in prior accounting periods and will include estimates of premiums due. Written premiums are stated gross of commission payable to intermediaries and exclude taxes, duties levied and other deductions.

### ***Unearned premiums***

Written premiums are recognised as earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

### ***Claims***

Claims outstanding represents the ultimate cost of settling all claims (including direct and indirect claims settlement costs) arising from events which have occurred up to the balance sheet date including a provision for claims incurred but not yet reported less any amounts paid in respect of these liabilities. Claims outstanding are reduced by anticipated salvage and other recoveries.

The movement in claims provision charged to the profit and loss account is a composite figure comprising actual movement in claims provision; movement in reinsurance to close and run-off reserves; and expenses accrued charged to the years of account in run off.

The provision is based on the returns and reports from the Managing Agent. Where appropriate, statistical methods have been applied to past experience of claims frequency and severity.

The ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the sums provided.

### ***Run-off cost provision***

Provision is made for all future operating costs of the Company to the extent they are not covered by future investment income.

### ***Investments***

#### ***Investment valuations***

Investments are stated at current value at the balance sheet date, using bid prices (if bid prices are not available, offer prices are used). For this purpose, listed investments are stated at market value and deposits with credit institutions and overseas deposits are stated at cost.

## **1. Accounting policies (continued)**

### ***Investment income, expenses and charges***

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

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price.

Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account, as all investments relate there.

### ***Tax***

Current tax is the tax currently payable based on the taxable profit for the year.

Deferred tax is provided in full, using the liability method, on temporary differences between the accounting profit and the taxable profit. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

### ***Foreign currencies***

Syndicates maintain separate funds in sterling, United States dollars, Canadian dollars and Euros.

Income and expenditure in US dollars, Canadian dollars and Euros is translated at the average rate of exchange for the year. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

Assets and liabilities are translated into sterling at the rates of exchange at the Balance Sheet date. Differences arising on translation of foreign currency amounts in syndicates are included in the technical account

### ***Related party transactions***

The company had no related party transactions in the period.

## **2. Provisional liquidation**

As a result of the underwriting losses expected to be incurred by the company, the directors of the company were of the opinion that the company was unable to meet its liabilities as they fell due. On 28 September 2001 an order was made by the courts to place the company in provisional liquidation. Messrs T A Riddell and J M Wardrop were appointed provisional liquidators.

## **3. Other Charges**

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Other charges – includes foreign exchange movements and funding of syndicate losses.	(35,257)	10

#### **4. Emoluments**

The company has no employees.

No emoluments were paid to, or waived by the directors.

Fees payable to the syndicate auditor are borne by the syndicate and charged against the relevant year of account.

#### **5. Profit on ordinary activities before taxation**

The auditors' remuneration of £10,000 (2007 - £10,000) has been charged against the provision for run-off costs.

#### **6. Taxation**

The taxation charge of £109,000 (2007: nil) represents US Federal Income Tax paid on syndicate profits.

Due to the significant losses incurred by the Company there are losses of approximately £330 million available for carry forward against future trading profits.

No deferred tax asset arising in respect of any unrelieved trading losses has been provided, as it is unlikely that the Company will be able to use these losses against future profitable activities.

#### **7. Debtors**

	2008 £'000	2007 £'000
Amounts due from group entities	-	-
Other	17	9,108
	<u>17</u>	<u>9,108</u>

Amounts due from group entities amounting to £17,504,000 (2007 - £17,504,000) have been fully provided for as the companies are in insolvency proceedings.

#### **8. Called-up share capital**

	2008 £	2007 £	2008 £	2007 £
	Authorised		Allotted, called-up and fully paid	
Ordinary 'A' voting shares of £1 each	100	100	100	100
Ordinary 'B' Non voting shares of £1 each	<u>18,250,000</u>	<u>18,250,000</u>	<u>18,250,000</u>	<u>18,250,000</u>
	<u>18,250,100</u>	<u>18,250,100</u>	<u>18,250,100</u>	<u>18,250,100</u>

Only 'B' non-voting shares have rights to dividends. On a division of assets on winding-up, the amount available for distribution amongst the shareholders would be applied first in repayment of nominal value to the holders of the 'A' voting shares. The balance of the assets would be divided among the holders of the 'B' non-voting shares. All shares are non-redeemable.



**9. Reconciliation of movements in shareholders' funds**

	31 December 2008 £'000	31 December 2007 £'000
Profit / (Loss) for the period	(30,545)	9,754
Opening shareholders' funds	<u>(298,487)</u>	<u>(308,241)</u>
Closing shareholders' funds	<u>(329,033)</u>	<u>(298,487)</u>

**10. Creditors**

	31 December 2008 £'000	31 December 2007 £'000
Inter-company loan	11,001	11,001
Accruals	184	48
Run-off costs provision (Note 11)	300	362
Other creditors	<u>315,533</u>	<u>314,684</u>
	<u>327,018</u>	<u>326,095</u>

Cotesworth Capital Limited provided security to Lloyd's, under the terms of the Lloyd's Deposit and Security Trust Deeds, in order to support the business underwritten by the underlying syndicates.

Cash calls to date on syndicate open and run-off accounts have, in part, been funded by means of drawdown on Letters of Credit deposited at Lloyd's and from the Lloyd's New Central Fund. The Lloyd's New Central Fund had given an undertaking to fund up to £249.5 million of any unpaid cash calls prior to 1 April 2008 in relation to the company's participation on Syndicates 535, 536, 228 and 1688. Since the last year end, Reinsurance to Close contracts were accepted on the remaining open years of Syndicates 535, 536 and 228. Lloyd's, therefore, has given further undertakings to fund up to £2.5 million of any unpaid cash calls made prior to 1 April 2010 in relation to the remaining open years of Syndicate 1688.

The amounts included in other creditors are as follows:

	31 December 2008 £'000	31 December 2007 £'000
Letter of Credit draw downs	110,000	110,000
Lloyd's New Central Fund	205,263	195,902
Uncalled losses	-	8,506
Other creditors	<u>270</u>	<u>276</u>
	<u>315,533</u>	<u>314,684</u>

The amounts originally deposited by Cotesworth Capital Limited as security to Lloyd's under the terms of the Lloyd's Deposit and Security Trust Deeds and the analysis of draw downs thereon is as follows:

	Original Deposit at Lloyd's £'000	Draw-downs to date £'000
Letter of Credit - issued by HSBC	25,842	25,842
Letter of Credit - issued by Societe Generale	30,000	30,000
Letter of Credit - issued by Westpac Banking Corporation	<u>54,158</u>	<u>54,158</u>
	<u>110,000</u>	<u>110,000</u>

## 11. Run-off costs provision

	<b>2008</b>
	<b>£'000</b>
Provision brought forward at 1 January 2008	362
Charges to the provision	(62)
	<hr/>
Provision carried forward at 31 December 2008	300
	<hr/>

## 12. Cash Flow Statement

The Company has no control over the disposition of assets and liabilities at Lloyd's.

The only cash transactions in the year arise from the Company's operating activities and represent the recovery of amounts totalling £44,731 (2007: £220,817), including a small amount of interest and accounts preparation, audit and legal fees, funding of £16,210 (2007: £9,962) by Lloyd's of London and the payment of expenses totalling £49,243 (2007: £317,187), leaving a cash balance of £7,471 (2007: £11,982) held by the Company. No cash flow statement has been presented.

In addition, on closure of Syndicate 535, 536 and 228 at 31 December 2007, £25.7 million of undistributed surplus was released directly to Lloyd's as a part repayment of amounts owed by the Company to the Lloyd's New Central Fund.

## 13. Parent Company

The immediate parent undertaking is Cotesworth Holdings Limited, incorporated in Great Britain and registered in England and Wales. Cotesworth Holdings Limited was placed into liquidation on 26 September 2001 and dissolved on 1 May 2008. Accordingly no accounts have been prepared for the year ended 30 June 2001 or subsequent years.

The company's intermediate parent undertaking is HHH European Holding Company Limited, incorporated in Great Britain and registered in England and Wales. This company was placed into liquidation on 29 October 2001. Accordingly no accounts have been prepared for the year ended 30 June 2001 or subsequent years.

The ultimate parent undertaking is HHH Insurance Limited, which was placed into liquidation in Australia on 27 August 2001. Accordingly no group consolidated accounts are available for the year ended 30 June 2001 or subsequent years.

## 14. Assets and liabilities held by the Syndicates

The Balance Sheet includes the following assets and liabilities held by the Syndicates on which the Company participates as a Lloyd's corporate member. The assets are subject to trust deeds for the benefit of the Syndicates' insurance creditors.

	<b>2008</b>	<b>2007</b>
	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
<b>Assets</b>		
Investments	43,888	96,457
Reinsurers share of technical provisions	6,176	5,831
Debtors arising from reinsurance operations	7	221
Debtors arising from direct insurance operations	742	5,510
Other debtors	17	345
Cash at bank	2,627	6,359
Other assets	218	-
	<hr/>	<hr/>
	<b>53,675</b>	<b>114,723</b>
<b>Liabilities</b>		
Technical provisions	55,289	57,316
Reinsurance to close premium	-	38,005
Creditors arising out of direct insurance operations	110	442
Creditors arising from reinsurance operations	299	127
Other creditors	270	583
Accruals and deferred income	119	-
	<hr/>	<hr/>
	<b>56,087</b>	<b>96,473</b>