



REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2006

Company Number: 3584320



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Directors

Chairman

R A G Jackson
R A Doubtfire
T G Hebden
S P Lotter
J E Mumford
H S Nagra
K Sinden
D A Smith
S G Turner
G R A White

Company Secretary

A C Durkin

**Registered Office
& Business Address**

8 Lloyd's Avenue
London EC3N 3EL

Bankers

Barclays Bank PLC
One Churchill Place
London E14 5HP

Auditors

CLB Littlejohn Frazer
Chartered Accountants
and Registered Auditors
1 Park Place
Canary Wharf
London E14 4HJ

Solicitors

Clyde & Co
Beaufort House
Chertsey Street
Guildford
Surrey GU1 4HA

Company Number

3584320

The directors have pleasure in presenting their Report together with the Financial Statements for the year ended 31 December 2006

Principal Activity

The company is the Managing Agent of Lloyd's syndicate 2468. It is authorised and regulated by the Financial Services Authority (registration number 204971). The principal activity of the company is to manage the insurance underwriting of Syndicate 2468 which is conducted through the Lloyd's market. The syndicate specialises in underwriting non-USA third party casualty business. The main classes underwritten are medical malpractice, general liability, professional indemnity, personal accident, directors and officers and products guarantee and recall insurance and reinsurance, in accordance with the syndicate business plan.

The company receives a fee for its services, calculated as a percentage of underwriting capacity managed, together with profit commission charged to underwriting members of the syndicate.

Results and Dividends

The profit for the year before taxation amounted to £1,572,646 (2005 profit - £1,482,469). The taxation charge was £477,069 (2005 charge - £449,668), leaving a profit for the year of £1,095,577 (2005 profit - £1,032,801).

An interim dividend of £500,000 was paid (2005 - £nil). The directors do not recommend the payment of a final dividend (2005 - £nil).

Business Review

As the Key Performance Indicators show, the company had a successful year and paid its first dividend of £500,000. On a year of account basis Syndicate 2468 produced a profit in 2004 of 10.11% which is an improvement over 2003. We anticipate the syndicate to produce similar, if not better results for 2005 and 2006 which leads to an encouraging outlook for the company over the next couple of years. Since the formation of the company the syndicate has underwritten the same classes of business. In 2006 we felt sufficiently confident to expand our spread of business by underwriting personal accident and starting a directors and officers book of business in 2007. These classes mix well with our existing account and the cross selling opportunities we have across the group have been increased significantly. Over the next couple of years we will strive to make the most of these opportunities and ensure the classes of business new to the syndicate become fully established.

In view of the syndicate's expansion into new classes of business and the growth in both premium and claims reserves we invited Graham White, our group actuary to join the board during 2006. At the end of the year Holly Bellingham, the founding chairman of the company resigned from the board. We are all grateful for her efforts and foresight in establishing the company. She remains as Chairman of the Marketform Group so her views and experience will still be available when required.

Key performance indicators

| | 2006 | 2005 | Movement |
|-----------------------------|-----------|-----------|----------|
| Fee income | 749,630 | 743,904 | 0.8% |
| Profit commission income | 1,404,203 | 1,347,000 | 4.2% |
| Retained expenditure | 612,458 | 601,232 | 1.9% |
| Profit after taxation | 1,095,577 | 1,032,801 | 6.1% |
| Dividends paid and proposed | 500,000 | - | - |
| Net current assets | 3,858,442 | 3,578,129 | 7.8% |
| Net assets | 3,627,936 | 3,032,359 | 19.6% |

Other performance indicators

Staff Matters

All staff are employed by the group service company Marketform Management Services Limited. The company considers staff to be a key resource and seeks to provide a good working environment for staff that is safe and complies with appropriate employee legislation. During the year there have been no significant injuries to staff in the workplace or any actions taken by any regulatory bodies with regard to staff matters. The provision of a good working environment is considered to be demonstrated by the retention of 97% of the staff at 1 January 2006 at the end of the year (94% in 2005).

Environmental Matters

The company does not consider that a business such as a Managing Agent at Lloyd's has a large adverse impact upon the environment. As a result the company does not manage its business by reference to any environmental key performance indicators. Directors and employees of the company are not provided with company cars and travel requisitions and expenses are subject to review as to whether the journey is necessary for the business. The company seeks to maintain a high proportion of its records electronically. To help achieve this the company is a party to the current electronic data exchange programme in the London market, which is intended to reduce the amount of paper records circulating in the market.

Future Developments

The Managing Agent reports the following outlook for the syndicate for 2007

The syndicate's stamp capacity for the 2007 year of account remained constant at £100,000,000 and premium income is expected also to be at a similar level despite rates decreasing generally across the market.

This is due to the syndicate establishing business that is less susceptible to normal market rate pressure. To ensure that the level of income does not fall, the company has added Personal Accident business to the syndicate in 2006. In 2007 the syndicate has commenced underwriting a £5m book of non-US directors and officers business. This is expected to be complimentary to the existing business – particularly the professional indemnity and medical malpractice. It is envisaged that the syndicate will continue to adapt its underwriting and stamp capacity to reflect the market opportunities and environment and will not make any material changes to its core underwriting strategy or basis of operation.

Risk Management

As a Managing Agent at Lloyd's the majority of the risks to this company's future cash flows arise from its income arising from the management of its Lloyd's syndicate. As detailed below, these risks are mostly managed by this company in its role of managing the syndicate. The risks to this company are to the level of fees and profit commissions receivable from the managed syndicate, which will be largely governed by the future size and profitability of the syndicate. If the results of the syndicate are not considered adequate by the members of the syndicate then support may be reduced along with potential income to this agent. Any losses suffered by the syndicate will potentially reduce the capital available to support the syndicate in future years. In such circumstances to avoid a reduction in capacity managed the Managing Agent is dependant upon the existing members finding additional capital or attracting new members to the syndicate. If significant losses are made by the syndicate this company may be at risk of litigation if capital providers to the syndicate or other third parties consider they have suffered a loss due to inadequate management of the syndicate.

Syndicate Risks

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

Marketform Managing Agency Limited operates a Risk Management Committee (RMC) which deals with issues of risk assessment and risk management. The RMC comprises senior executives from all key business and operational areas of the Marketform Group. A risk management framework has been developed and a risk register created which is used as a basis for assessment and management of risk and the calculation of regulatory capital requirements. The Marketform risk management framework continues to be refined with experience and as further guidance is issued by Lloyd's and the FSA.

Each year, this company as 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 syndicate's 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, and typically the majority of the total assessed value of the risks concerned is attributable to Insurance Risk.

The insurance risks faced by a syndicate include the occurrence of catastrophic events, downward pressure on pricing of risks, reductions in business volumes and the risk of inadequate reserving. Credit, or Reinsurance, risks arise from the risk that a reinsurer fails to meet its share of a claim. The management of the syndicate's 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. The operational risks include retention of key

people and this company as Managing Agent has a strategy of ensuring that a sufficiently balanced team of skilled and experienced staff is maintained to prevent excessive dependence upon on any individuals

The company manages the risks arising from its managed syndicates by exercising close management control and monitoring of those syndicates. This is achieved by the company as managing agent ensuring, through the presence of their directors on the key management committees of the syndicates, that they are involved in setting the control and operational environment for the syndicates and monitoring their performance and adherence to procedures. The supervision by Lloyd's and the Financial Services Authority also lay down requirements and monitor the management of the syndicate's risks

Credit Risk

Credit risks represent the risks of loss if another party fails to perform its obligations or fails to perform them in a timely fashion. The syndicate's main credit risk relates to the inability of the syndicate's reinsurers to pay due recoveries (e.g. due to reinsurer failure)

The Board has established policies with regard to minimum reinsurance security ratings and exposure to individual reinsurer entities. The Reinsurance Security Committee (RSC) monitors these policies on a regular basis and is required to approve all new reinsurers or change in participation before business is placed with them. The Credit Control Committee regularly monitors reinsurance aged bad debt

Investment and Currency Risks

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. To mitigate this the investment of surplus syndicate funds is managed by external investment managers. The company monitors the performance of the external investment managers on a regular basis and periodically agrees with them the investment strategy to be adopted to mitigate risks of interest rate fluctuation and credit risks and to provide appropriate liquidity. In order to minimise investment, credit and liquidity risk the company's funds are invested in highly rated and readily realisable investments. The investment managers are advised to monitor the economic situation and to anticipate future interest rate movements in order to manage investment values and returns and mitigate interest rate risks. The company investments are held entirely in sterling as most expenses likely to be incurred by the company are also in sterling as is the company's financial reporting

Regulatory and Operational Risks

The company's approval to be a Managing Agent of a Lloyd's syndicate is subject to continuing approval by Lloyd's and the Financial Services Authority. The risk of this approval being removed is mitigated by monitoring and fully complying with all requirements in relation to a Lloyd's Managing Agent and also to the operations of its managed syndicate. In addition as a Managing Agent, Lloyd's requires a minimum level of available funds to be maintained by the company. The risk of failing to meet this requirement is mitigated by monitoring the level of assets held and ensuring a reasonable margin in excess of requirements is maintained. If necessary there are surplus funds held elsewhere in the group that can be made available to assist the company's solvency position. The capital requirements to support the proposed amount of syndicate capacity for future years are subject to the requirements of Lloyd's. A variety of factors are taken into account by Lloyd's in setting these requirements including market conditions and syndicate performance and although the process is intended to be fair and reasonable the requirements can fluctuate from one year to the next, which may constrain the volume of underwriting the syndicate is allowed to undertake in future years

As there are relatively few transactions actually undertaken by the company there are only limited systems and staffing requirements of the company, compared to the syndicate and therefore operational risks are not considered to be significant for the company. Close involvement of all directors in the syndicate's key decision making and the fact that the majority of the company's operations are conducted by the syndicate provides control over any remaining operational risks

Group Risk

Group risks represent risks arising from membership of a corporate group. The company's main group risk relates to lack of controls concerning intra-group activities and as regards the syndicate, the potential loss of premium income from the syndicate's main sources of business, the in-house service company, Marketform Limited

The basic governance structure of the Marketform Group is shared in terms of directors and committees. The Syndicate Review Committee monitors business written of both business entities of the group. Conflicts of interest policies are in

place Non-executive directors provide an independent check on the interdependencies and activities of group companies

OTHER DISCLOSURES

Directors and Directors' Interests in Shares

The directors of the company, who served during the year ended 31 December 2006, were as follows

H J C Bellingham (resigned 14 December 2006)

R A Doubtfire

T G Hebden

R A G Jackson

S P Lotter

J E Mumford

H S Nagra

K Sinden

D A W Smith

S G Turner

G R A White (appointed 23 October 2006)

According to the Register of Directors' Interests, none of the directors in office at 31 December 2006 held any beneficial interest in the share capital of the company

The beneficial interests of the directors in the share capital of the ultimate holding company, Marketform Group Limited, are set out below

| | Number of ordinary shares held At 31 December 2006 | Number of ordinary shares held At 1 January 2006 |
|------------------|--|--|
| H J C Bellingham | 9,630,801 | 10,247,801 |
| R A Doubtfire | 211,963 | 161,963 |
| T G Hebden | 10,000 | 10,000 |
| R A G Jackson | 7,500 | 7,500 |
| S P Lotter | 2,178,154 | 2,178,154 |
| H S Nagra | 20,000 | 10,000 |
| K Sinden | 150,000 | 50,000 |
| D A W Smith | 12,500 | 10,000 |
| S G Turner | 4,908,564 | 4,908,564 |
| G R A White | 61,000 | 6,000 |

Disclosure of Information to the Auditors

The directors who held office at the date of the approval of this Directors' Report confirm that, so far as they are individually aware, there is no relevant audit information of which the company's auditors are unaware and each director has taken all the steps that he/she ought to have taken as director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

CLB Littlejohn Frazer continue to act as auditors of the company

Approved by Order of the Board



A C Durkin
Company Secretary
26 April 2007

MARKETFORM MANAGING AGENCY LIMITED STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those Financial Statements the directors are required to

- select suitable Accounting Policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements, and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

Independent Auditors' report to the shareholders of Marketform Managing Agency Limited

We have audited the Financial Statements of Marketform Managing Agency Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the accounting policies and the related notes 1 to 14. These Financial Statements 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

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 Auditing Standards (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 transactions with the company is not disclosed.

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

Basis of Opinion

We conducted our audit in accordance with International Auditing Standards (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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

The information given in the Directors' Report is consistent with the company's financial statements.


CLB Littlejohn Frazer

Chartered Accountants
and Registered Auditors
11 May 2007

1 Park Place
Canary Wharf
London E14 4HJ

MARKETFORM MANAGING AGENCY LIMITED**PROFIT AND LOSS ACCOUNT**
Year ended 31 December 2006

| | Note | 2006 | 2005 |
|--|-------------|--------------------------|--------------------------|
| Turnover | 1 | 2,183,833 | 2,090,904 |
| Administrative expenses | | (612,458) | (601,232) |
| Operating Profit | 1 | <u>1,571,375</u> | <u>1,489,672</u> |
| Interest receivable | | 1,302 | 7,797 |
| Interest payable and similar charges | | (31) | (15,000) |
| Profit on Ordinary Activities before Taxation | | <u>1,572,646</u> | <u>1,482,469</u> |
| Taxation on profit on ordinary activities | 3 | (477,069) | (449,668) |
| Profit for the Financial Year | 10 | <u><u>£1,095,577</u></u> | <u><u>£1,032,801</u></u> |

All turnover relates to continuing activities

There is no material difference between the reported results stated above and the results for those years restated on a historical cost basis

The company had no recognised gains or losses other than the profit for the financial year as stated above

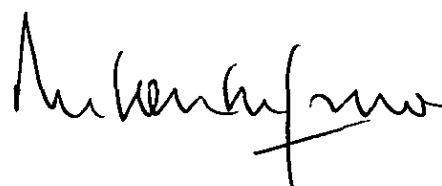
| | Note | 2006 | 2005 |
|--|------|--------------------------|--------------------------|
| Current Assets | | | |
| Debtors | 5 | 4,235,742 | 4,183,491 |
| Cash at bank and in hand | | <u>27,650</u> | <u>35,731</u> |
| | | 4,263,392 | 4,219,222 |
| Creditors: due within one year | 6 | <u>404,950</u> | <u>641,093</u> |
| Net Current Assets | | <u>3,858,442</u> | <u>3,578,129</u> |
| Total Assets less Current Liabilities | | 3,858,442 | 3,578,129 |
| Creditors, amounts due after more than one year | 7 | - | (300,000) |
| Accruals and deferred income | 8 | <u>(230,506)</u> | <u>(245,770)</u> |
| | | <u><u>£3,627,936</u></u> | <u><u>£3,032,359</u></u> |
| Capital and Reserves | | | |
| Called up share capital - equity | 9 | 500,000 | 500,000 |
| Profit and Loss Account | 10 | <u>3,127,936</u> | <u>2,532,359</u> |
| Shareholders' funds | 11 | <u><u>£3,627,936</u></u> | <u><u>£3,032,359</u></u> |

Approved by the Board on 26 April 2007

K Sinden



R A Doubtfire



Basis of Accounting

The Financial Statements are prepared under the historical cost basis of accounting and comply with applicable Accounting Standards

The company has taken advantage of the exemptions in Financial Reporting Standard No 1 from the requirement to produce a Cashflow statement on the grounds that it is a wholly owned subsidiary undertaking

Turnover

Turnover represents Agency fees and profit commission payable to the company from Lloyd's Syndicates 2468

In accordance with Financial Reporting Standard 5 Note G, Agency fees payable to the company under agency agreements with members of Lloyd's are recognised when the contractual right to such fees is established, and to the extent that the company's obligations under those agency agreements have been performed. Revenue that has been credited in the company's books, but not yet recognised as income in accordance with the policies described above, is credited to the deferred income account in the company's balance sheet

Profit commission arising from agency agreements with members of Lloyd's is recognised when the contractual right to such profit commission is established, but only to the extent that a reliable estimate of the amount due can be made. Such estimates are made on a prudent basis that reflects the level of uncertainty involved

Depreciation

The company does not own any tangible fixed assets. Depreciation is recharged for the usage by the company of any group tangible fixed assets

Deferred Taxation

Deferred Taxation is provided at anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the Financial Statements. Provision is made to the extent that it is likely that the liability or asset will crystallise in the foreseeable future

Pension Contributions

The group operates a defined contribution pension scheme for its employees. The funds of the scheme are administered by Trustees and are separate from the group. Contributions are paid by a fellow group undertaking and group employees. The group also makes payments into certain other employees personal pension plans. The pension charge represents contributions payable by the fellow group undertaking and recharged to the company

Group Undertakings

All intra group debtors and creditors are repayable on demand and no interest is charged

Dividend Recognition

Dividends are recognised when declared

1. Operating Profit

This is stated after charging

| | 2006 | 2005 |
|---|----------------|----------------|
| Depreciation recharged from group service company | £9,424 | £10,861 |
| Auditors' remuneration - audit | £5,000 | £5,460 |
| Rental of premises - operating lease | £7,906 | £7,613 |
| | <u>£22,330</u> | <u>£23,934</u> |

The company's turnover all arises in the UK from its principal activity as a Lloyd's Managing Agent

2. Employees

All employees costs are incurred by a fellow subsidiary undertaking Marketform Management Services Limited. These salary costs are allocated to various group undertakings to reflect the time employees spend on that company's affairs. The total amounts allocated to this company are as follows

| | 2006 | 2005 |
|--|-----------------|-----------------|
| Staff Costs (including directors) | | |
| Wages and salaries | 369,039 | 366,077 |
| Social security costs | 41,335 | 44,500 |
| Other pension costs | 27,885 | 25,451 |
| | <u>£438,259</u> | <u>£436,028</u> |

The company had no employees during the year. Average number of employees of the group are disclosed in the consolidated accounts of the ultimate parent undertaking.

Directors' Emoluments

| | 2006 | 2005 |
|--|-----------------|-----------------|
| Aggregate emoluments | 257,668 | 244,896 |
| Company pension contributions to money purchase scheme | 20,025 | 17,600 |
| | <u>£277,693</u> | <u>£262,496</u> |

The highest paid director received emoluments and benefits as follows

| | 2006 | 2005 |
|--|----------------|----------------|
| Aggregate emoluments | 77,500 | 59,375 |
| Company pension contributions to money purchase scheme | 7,500 | 4,687 |
| | <u>£85,000</u> | <u>£64,062</u> |

Retirement benefits are accruing to 5 directors (2005 – 6) under a money purchase pension scheme in respect of qualifying services.

3. Taxation

| | 2006 | 2005 |
|---|-----------------|-----------------|
| Analysis of Charge in Year | | |
| Current tax | | |
| UK corporation tax on profits of the year | 87,450 | 228,869 |
| Group relief payable | 389,619 | 219,236 |
| Adjustments in respect of previous years | - | 1,563 |
| Tax on profit on ordinary activities | <u>£477,069</u> | <u>£449,668</u> |

Factors affecting tax charge for year

The tax assessed for the year is different than the standard rate of corporation tax in the UK of 30% (2005 - 30%) The differences are explained below

| | 2006 | 2005 |
|--|-------------------|-------------------|
| Profit on ordinary activities before tax | <u>£1,572,646</u> | <u>£1,482,469</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 - 30%) | 471,794 | 444,741 |
| Effects of | | |
| Expenses not deductible for tax purposes | 5,275 | 3,364 |
| Adjustments to tax charge in respect of previous years | - | 1,563 |
| Tax charge for year | <u>£477,069</u> | <u>£449,668</u> |

4 Dividends

| | 2006 | 2005 |
|--------------------------|-----------------|----------|
| Ordinary dividend - paid | 500,000 | - |
| | <u>£500,000</u> | <u>-</u> |

5 Debtors

| | 2006 | 2005 |
|---|-------------------|-------------------|
| Amounts due from group undertakings | 1,250,000 | 1,092,792 |
| Amounts due from Lloyd's Syndicate 2468 | 2,968,000 | 3,072,170 |
| Prepayments | 7,028 | 7,815 |
| Accrued Income | 10,714 | 10,714 |
| | <u>£4,235,742</u> | <u>£4,183,491</u> |

6 Creditors: amounts falling due within one year

| | 2006 | 2005 |
|------------------------------------|-----------------|-----------------|
| Amounts owed to group undertakings | 15,331 | 192,382 |
| Corporation Tax | - | 244,471 |
| Group relief payable | 389,619 | 204,240 |
| | <u>£404,950</u> | <u>£641,093</u> |

7 Creditors: amounts falling due after one year

| | | |
|------------------------------------|-----------|-----------------|
| Amounts owed to group undertakings | <u>£-</u> | <u>£300,000</u> |
|------------------------------------|-----------|-----------------|

8 Accruals and Deferred Income

| | Deferred Income | Accruals | 2006 Total |
|-----------------------------|----------------------------|-----------------|-----------------------|
| Balance at 1 January 2006 | 222,486 | 23,284 | 245,770 |
| Movement in year | 370 | (15,634) | (15,264) |
| Balance at 31 December 2006 | <u>£222,856</u> | <u>£7,650</u> | <u>£230,506</u> |

9 Called-up Share Capital

| | 2006 Authorised | 2005 | 2006 Allotted, called up and fully paid | 2005 |
|----------------------------|----------------------------|-----------------|--|-----------------|
| Ordinary shares of £1 each | <u>£500,000</u> | <u>£500,000</u> | <u>£500,000</u> | <u>£500,000</u> |

10 Profit and Loss Account

| | 2006 | 2005 |
|---------------------------|-------------------|-------------------|
| Balance as at 1 January | 2,532,359 | 1,499,558 |
| Profit for the year | 1,095,577 | 1,032,801 |
| Dividends declared | (500,000) | - |
| Balance as at 31 December | <u>£3,127,936</u> | <u>£2,532,359</u> |

11 Reconciliation of Shareholders' Funds

| | 2006 | 2005 |
|-------------------------------|-------------------|-------------------|
| Opening shareholders' funds | 3,032,359 | 1,999,558 |
| Profit for the financial year | 1,095,577 | 1,032,801 |
| Dividends declared | (500,000) | - |
| Closing shareholders' funds | <u>£3,627,936</u> | <u>£3,032,359</u> |

12 Parent Undertaking

The Ultimate parent undertaking is Marketform Group Limited, a company incorporated in the United Kingdom and registered in England and Wales. Group Financial Statements are drawn up by Marketform.

Group Limited, copies of which are available from its registered office at 8 Lloyd's Avenue, London, EC3N 3EL

13 Pension Scheme

The group operates a Defined Contribution Pension Scheme for the benefit of the employees. The assets of the scheme are administered by Trustees in a fund independent from those of the group. The group also makes payments into certain other employees personal pension plans.

The total contributions paid in the year and charged to this company amounted to £27,885 (2005 - £25,451). No contributions were outstanding at 31 December 2006 (2005 - £Nil).

14 Related Party Transactions

The company has taken advantage of the exemption, permitted by Financial Reporting Standard No. 8 ("FRS 8"), from the requirement to disclose related party transactions with the ultimate parent company, Marketform Group Limited, and any of its fellow subsidiary undertakings.

The company has included in turnover management fees during the year of £749,630 (2005 - £743,904) and profit commission £1,404,203 (2005 - £1,347,000) from Lloyd's Syndicates 2468 and 3579. £2,968,000 (2005 - £3,070,641) remains payable as at 31 December 2006.

The directors H J C Bellingham and S G Turner are also directors and sole shareholders of Ebury Underwriting Limited and Hermanus Underwriting Limited which are corporate members that have provided capacity to the Syndicates 2468 and 3579 under management. The company received administrative fees of £30,000 (2005 - £nil) from those corporate members. £Nil remains payable at 31 December 2006.

The directors are satisfied that there are no other material related party transactions requiring disclosure under FRS 8.