ARCH (2004) LIMITED

Report and Financial Statements

Arch (2004) Limited

Registered Number: 3751810

31 December 2007

Contents

Report of the Directors

The directors present their report and financial statements for the year ended 31 December 2007

Review of the Business and Future Developments

The company's principal activity is to carry on the business of underwriting as a corporate member at Lloyd's The company ceased underwriting on 31 December 2001 During 2007, a further six syndicates were able to close their 2000 and 2001 run-off years of account at an aggregate reduction of £4 4 million resulting in a credit to the profit and loss account before repayment of indemnity back to the former parent company The run off of the remaining liabilities is anticipated to take several years in view of exposure to losses arising from the World Trade Center ("WTC") disaster of 11 September 2001 There were still four run-off year of accounts open on three syndicates as at 31 December 2007 These were syndicates 2, 340 and 566 managed by Advent Underwriting Ltd, Travelers Syndicate Management Ltd and QBE Underwriting Ltd

The non-syndicate expenses of the company continue to be indemnified by CBS Insurance Holdings PLC The syndicate underwriting losses not yet called will be met from the company's Funds at Lloyd's At the balance sheet date the Funds at Lloyd's exceeded liabilities, including an additional prudential margin established by the company in the amount of £9 5 million

Results and Dividends

The results for the year and the state of the company's affairs as at 31 December 2007 are shown in the financial statements The directors do not recommend the payment of a dividend (2006 nil)

Directors

The following have served as directors from 1 January 2007 to the date of this report

AS Castell	(resigned 29 June 2007)
DJ Ewart	(appointed 30 October 2007)
R Hedden	
LM Hyman	
MRM Jenner	

Directors' Interests

No director has had an interest in the shares of the company

Statement of disclosure of information to auditors

The directors have taken all the necessary steps to make us aware, as directors, of any relevant audit information and to establish that the auditors are aware of that information

As far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting

By Order of the Board

MRM Jenner
Secretary
158-162 Shaftesbury Avenue
London WC2H 8HR
4 June 2008

Statement of Directors' Responsibilities

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 Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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 period

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 As explained in note 1 to the financial statements, the directors do not believe the going concern basis to be appropriate as the company is winding up its affairs and these financial statements have been prepared on the basis set out in that note

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

Independent auditor's report to the members of Arch (2004) Limited

We have audited the financial statements of Arch (2004) Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, Cash Flow Statement, 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, 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 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 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 financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements

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 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

Independent auditors' report to the members of Arch (2004) Limited (continued)

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 2007 and of its 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 Director's report is consistent with the financial statements

Emphasis of matter – uncertainty over loss reserves

In forming our opinion, which is not qualified, we have considered the adequacy of the following disclosure in the financial statements

Note 4 to the financial statements concerning the uncertainty over the amounts provided in respect of the four syndicate participations on the 2000 and 2001 year of account which are in run off The managing agents for these syndicates have not closed the syndicate years of account because of material uncertainty associated with the terrorist attacks on 11 September 2001 The company's ultimate liability will vary as a result of subsequent information and events, which may result in material adjustments to the amounts provided

In view of the significance of this uncertainty we consider that note 4 should be drawn to your attention

KPMG Audit Plc

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

4 June 2008

Profit and Loss Account for the year ended 31 December 2007

	Note	12 months to 31.12.07 £000	12 months to 31.12.06 £000
TECHNICAL ACCOUNT - GENERAL BUSINESS			
Gross premiums written		(235)	407
Outward reinsurance premiums		(138)	(183)
Net premiums written		(373)	224
Change in the gross provision for unearned premiums		15	47
Change in the provision for unearned premiums, reinsurers' share		(35)	33
		(20)	80
Earned premiums net of reinsurance		(393)	304
Investment Income	5	1,449	1,065
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(5,055)	(7,254)
Reinsurers' share		1,795	2,127
		(3,260)	(5,127)
Change in the provision for claims			
Gross amount		9,332	3,809
Reinsurers' share		(2,559)	(2,398)
		6,773	1,411
Net claims incurred		3,513	(3,716)
Net operating expenses	6	(97)	245
Balance transferred to the non-technical account		4,472	(2,102)

The notes on pages 10 to 18 form part of these financial statements

Profit and Loss Account for the year ended 31 December 2007

	Note	12 months to 31 12 07 £000	12 months to 31.12.06 £000
NON TECHNICAL ACCOUNT			
Balance on the general business technical account		4,472	(2,102)
Other income		1,173	2,103
Other charges including value adjustments		(5,645)	(1)
Profit on ordinary activities before taxation	7	-	-
Tax on (loss)/profit on ordinary activities	9	(222)	222
(Loss)/profit for the financial year	13	(222)	222

The company has no gains or losses other than the loss for the year therefore no Statement of Total Recognised Gains and Losses is provided All of the company's activities are in respect of discontinuing activities

The notes of pages 10 to 18 form part of these financial statements

Balance Sheet as at 31 December 2007

	Note	31.12.07 £000	31.12.06 £000
ASSETS			
INVESTMENTS			
Other financial investments	10	24,006	25,166
REINSURERS' SHARE OF TECHNICAL PROVISIONS			
Claims outstanding	4, 15	15,496	18,990
		15,496	18,990
DEBTORS DUE WITHIN ONE YEAR			
Debtors arising out of direct insurance operations		37	278
Debtors arising out of reinsurance operations		2,736	3,598
Other debtors	11	4,215	4,704
		6,988	8,580
DEBTORS DUE AFTER ONE YEAR			
Debtors arising out of reinsurance operations		510	-
Other debtors		-	3
		510	3
OTHER ASSETS			
Cash at bank and in hand		701	3,475
Cash held as Funds at Lloyd's		15,137	11,381
		15,838	14,856
PREPAYMENTS AND ACCRUED INCOME			
Deferred acquisition costs		13	17
Prepayments		1,007	297
		1,020	314
TOTAL ASSETS		63,858	67,909

The notes on pages 10 to 18 form part of these financial statements

Balance Sheet as at 31 December 2007 (continued)

	Note	31.12.07 £000	31.12.06 £000
LIABILITIES			
CAPITAL AND RESERVES			
Called up share capital	12	1	1
Share premium	13	19,751	19,751
Profit and loss account	13	(36,418)	(36,196)
Equity Shareholders' Funds	14	(16,666)	(16,444)
TECHNICAL PROVISIONS			
Claims outstanding	4, 15	23,467	37,442
Provisions for unearned premiums		88	118
		23,555	37,560
CREDITORS			
Creditors arising out of direct insurance operations		285	134
Creditors arising out of reinsurance operations		1,653	2,122
Other creditors including taxation and social security	16	54,843	44,517
		56,781	46,773
CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR			
Creditors arising out of reinsurance operations		159	-
		159	-
ACCRUALS AND DEFERRED INCOME		29	20
TOTAL LIABILITIES		63,858	67,909

The notes on pages 10 to 18 form part of these financial statements

Approved by the board of directors on 4 June 2008 and signed on its behalf by

Director

Cash Flow as at 31 December 2007

	Note	12 months to 31.12.07 £000	12 months to 31.12.06 £000
Cash flow from Operating Activities	17	3,281	11,375
Return on investment and servicing of finance			
Interest Received		475	6
Net Cash for Returns on Investment and Servicing of Finance		475	6
Net Cash Outflow Before Financing		3,756	11,381
Increase in Cash in Year	17	3,756	11,381

The cash flow statement excludes cash flows within syndicate premium trust funds because the company has restricted access to syndicate cashflows

The notes on pages 10 to 18 form part of these financial statements

Notes to the Financial Statements for the year ended 31 December 2007

1 Basis of Preparation

(a) **Basis of accounting for underwriting results**

The Financial Statements are prepared using the annual basis of accounting Under the annual basis of accounting, a result is determined at the end of each accounting period reflecting the profit or loss from providing insurance cover during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods Underwriting losses where a loss ratio over 100% is anticipated, however, are recognised immediately

(b) **Break up basis**

The company ceased underwriting at 31 December 2001 and as management intend to make the company dormant once the run off syndicates liabilities are finalised these accounts have been prepared on a break up basis

The company has a deficit on shareholders funds caused by underwriting losses incurred in the 2000 and 2001 underwriting years of account This deficit is supported by a loan from the company's former parent

At 31 December 2007, the company's Funds at Lloyd's were in excess of the anticipated syndicate liabilities (including an additional prudential margin established by the company over and above the managing agents' assessment of liabilities) The Directors therefore believe that the company's syndicate underwriting liabilities based on current information will be met in full

The company's former parent has also provided an indemnity to cover non-syndicate related expenses

At the date of signing the accounts, the company had not been put into provisional liquidation because the former parent company is not insisting on repayment of its loan and the shareholder does not consider that it is in the company's interest

2. Accounting Policies

(a) **Accounting convention**

The financial statements are prepared under the historical cost convention in accordance with Section 255 of, and Schedule 9A to, the Companies Act 1985 ("the Act") and applicable Financial Reporting Standards (FRS) and Statements of Standard Accounting Practice

The company has also adopted all material recommendations of the revised Statement of Recommended Practice "Accounting for Insurance Business", issued by the Association of British Insurers in December 2006

(b) **Premiums**

Premiums written comprise the total premiums receivable for the whole period of cover provided by the contracts incepting during the financial year, together with any adjustments arising in the year to such premiums receivable in respect of business written in prior years Premiums are shown gross of commission payable to intermediaries and exclude insurance premium tax

Gross premiums written may include "reinsurance to close" receivable (see (f) below)

Notes to the Financial Statements for the year ended 31 December 2007 (continued)

2 **Accounting Policies** (continued)

(b) **Premiums** (continued)
Premiums written by a syndicate may also include the reinsurance of other syndicates on which the company participates No adjustments have been made to gross premiums written or outward reinsurance premiums (or to gross and reinsurers' claims) to remove this inter syndicate reinsurance

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

(c) **Unearned premiums provisions**
The provision for unearned premium comprises the proportion of gross or reinsurance premiums written, which is estimated to be earned in the following or subsequent financial year, having regard, where appropriate, to the incidence of risk The specific basis adopted by each individual syndicate is determined by the relevant managing agency

(d) **Claims incurred**
Claims incurred include the costs of claims handling expenses Recoverable amounts arising out of subrogations or salvage are deducted from the cost of claims Claims incurred comprise amounts paid or provided in respect of claims occurring during the year to 31 December, together with the amount by which settlement or reassessment of claims from previous years differs from the provision at the beginning of the year

(e) **Provision for claims**
Provision is made for claims incurred but not paid in respect of events up to 31 December

The provision is based on the Returns and reports from the Managing Agents, which are reviewed by the Group's syndicate analysis team and when appropriate, statistical methods have been applied to pas experience of claims frequency and severity

While the directors consider that the provisions for losses on run-off years are fairly stated on the basis of the information available to them, the ultimate liability may vary as a result of subsequent information and events and may result in significant adjustments to the losses foreseen Adjustments to the amounts of provisions are reflected in the accounts for the period in which the adjustments are made The method used to assess provisions, and the provisions made, are regularly reviewed

(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

Notes to the Financial Statements for the period ended 31 December 2007 (continued)

2. **Accounting Policies** (continued)

(f) **Reinsurance to close** (continued)

(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, reinsurance 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 benefits 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 reinsurance to close with the intention that neither a profit nor a loss accrues to either group of members

To the extent that the company participates on successive years of account of the same syndicate and there is a reinsurance to close between those years, the company has offset its share of the reinsurance to close received against its share of the reinsurance to close paid

If the company has increased its participations from one year of account to the next, the reinsurance to close paid is eliminated, as a result of this offset, leaving an element of the reinsurance to close received This reflects the fact that the company has assumed a greater proportion of the business of the syndicate If the company has reduced its participation from one year of account to the next, the reinsurance to close received is eliminated, leaving an element of the reinsurance to close paid This reflects the reduction in the company's exposure to risks previously written by the syndicate

The reinsurance to close is technically a reinsurance contract and, as such, the payment of a reinsurance to close does not remove from members of that year of account ultimate responsibility for claims payable on risks they have written If the reinsuring members under the reinsurance to close become insolvent and the other elements of the Lloyd's chain of security also fail, the reinsured members remain theoretically liable for the settlement of any outstanding claims

However, payment of a reinsurance to close is conventionally accepted as terminating a reinsured member's participation on a syndicate year of account and it is treated for account purposes as settling all the company's outstanding gross liabilities in respect of the business so reinsured

(g) **Investments**

Listed and other traded investments are stated at mid-market values Other investments are stated at directors' valuations Unrealised gains and losses are recognised in the 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

Notes to the Financial Statements for the year ended 31 December 2007 (continued)

2. **Accounting Policies** (continued)

(h) **Investment income** (continued)
Where investments represent the company'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, arising on syndicate participation is allocated to the technical account Other investment income is attributable to the non-technical account

(i) **Investment expenses and charges**
Investment expenses and charges comprise investment management expenses and losses on the realisation of investments Realised losses arise from the difference between proceeds and valuation at the previous year end, or cost if there has been no previous revaluations The realised losses reported by Syndicates are net of any realised gains

(j) **Net operating expenses**
Operating expenses are recognised when incurred They include the company's share of syndicate operating expenses, the remuneration payable to Managing Agents (and the company's Members' Agent) and the direct costs of membership of Lloyd's Where they relate to the company's underwriting, they are charged to the accounts in relation to the earning patterns of profits and premiums Reinsurance costs and letter of credit charges in relation to the company's Funds at Lloyd's are charged to the technical account

(k) **Other charges**
Expenses not attributable to underwriting or investment management are recognised when incurred

(l) **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

(m) **Taxation**
The company is taxed on its share of the underwriting results declared by syndicates and these are deemed to accrue evenly over the calendar year in which they are declared

HM Revenue and Customs determines the taxable results of syndicates on the basis of computations submitted by the Managing Agent

Other profits are assessable to corporation tax in the same period as they are recognised for accounting purposes, after adjustment in accordance with tax legislation

(n) **Deferred taxation**
The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Notes to the Financial Statements for the year ended 31 December 2007 (continued)

3 Segmental Information

The business shown in segmental information below has all been underwritten in the Lloyd's insurance market It has been treated as one geographical segment for the purpose of Statement of Standard Accounting Practice No 25 "Segmental Reporting"

31 December 2007 analysis by class of business

	Total Gross premiums written £000	Gross claims incurred £000	Gross Operating expenses £000	Reinsurance balance £000
Accident & health	24	(197)	(4)	(21)
Motor – third party liability	13	(175)	(2)	18
Motor – other classes	8	6	(4)	36
Marine, aviation and transport	13	469	(27)	(279)
Fire & other damage to property	64	214	(17)	2
Third party liability	123	244	(28)	-
Other	19	(1,477)	(10)	(87)
Reinsurance	(499)	5,193	(5)	(606)
Total	(235)	4,277	(97)	(937)

31 December 2006 analysis by class of business

	Total Gross premiums written £000	Gross claims incurred £000	Gross Operating expenses £000	Reinsurance balance £000
Accident & health	(2)	(159)	19	(4)
Motor – third party liability	-	(135)	3	18
Motor – other classes	3	33	2	17
Marine, aviation and transport	(1)	(250)	(23)	(326)
Fire & other damage to property	5	116	(3)	(23)
Third party liability	23	(557)	74	(289)
Other	20	6	38	331
Reinsurance	359	(2,499)	135	(145)
Total	407	(3,445)	245	(421)

4. World Trade Center Terrorist Attack

As at the date of this report, four of the company's 57 syndicate participations for the 2000 and 2001 years of account were in run-off, managing agents having left the relevant years of account open as at 31 December 2007 These years of account remain open principally because there remains significant uncertainty over the position of aviation insurers as to whether the 11 September 2001 hijackings represent three or four events, the impact of the US Government Victim Compensation Fund (VCF) – whilst the majority of claimants who did not sign up for the VCF have now had their claims settled broadly in line with expectations, there remains the potential for subrogation by the VCF against airline insurers, and the potential for subrogation by property insurers against aviation insurers These are believed to be the primary reasons for Syndicates 2, 340 and 566 remaining in run off at 31 December 2007

Notes to the Financial Statements for the year ended 31 December 2007 (continued)

4. World Trade Center Terrorist Attack (continued)

The managing agents concerned have not disclosed specific details of the quantum of the amounts provided in respect of the uncertainties It is therefore not possible to provide an aggregate analysis of the reserves established in this respect

The company's Funds at Lloyd's are £9 5 million in excess of the current estimated loss position The company is indemnified by its former parent for all non-underwriting liabilities which, following release of letters of credit during 2007 are now expected to be minimal

Whilst the Directors consider that the loss estimate in respect of the syndicates in run-off is the best estimate that can be made on the basis of information currently available, the estimate is subject to significant uncertainty and it may be a number of years before all of these uncertainties are resolved Changing circumstances or the receipt of further information may cause the estimate to be revised The cost or benefit of any such adjustment will be reflected in the financial statements for the period in which this adjustment was made

The additional loss provisions established by the company are set out in note 15

5 Investment Income

	12 months to 31.12.07 £000	12 months to 31.12.06 £000
Income from investments	1,216	1,049
Realised and unrealised gains and losses on investments	233	16
	1,449	1,065

6. Net Operating Expenses

	12 months to 31.12.07 £000	12 months to 31.12.06 £000
Acquisition costs	(5)	23
Administration expenses	102	(268)
	(97)	(245)

7. Profit/(Loss) on Ordinary Activities before Tax

The loss on ordinary activities before tax is stated after charging / (crediting)

	12 months to 31.12.07 £000	12 months to 31.12.06 £000
Auditor's remuneration - audit services	-	-
Auditor's remuneration - other services relating to taxation	-	-
Letter of credit fees*	33	435
Lloyd's fees	2	2
Former Parent Company Indemnity**	5,645	(1,960)

The cost of audit services, amounting to £10,000 and other services relating to taxation, amounting to £9,500, have been borne by CBS Insurance Holdings PLC

* This item is charged to the technical account

** Under the terms of the sale agreement, CBS Insurance Holdings PLC has indemnified the company for all losses from the date of sale and/or receive recoveries

Notes to the Financial Statements for the year ended 31 December 2007 (continued)

8. Directors' Emoluments

The directors received no remuneration in respect of work performed for the company

9. Taxation

	12 months to 31.12.07 £000	12 months to 31.12.06 £000
i) Analysis of tax charge in year		
UK corporation tax at 30%	-	222
Adjustment for prior year	(222)	-
	(222)	222
ii) Factors affecting tax charge for the year		
Profit on ordinary activities before tax	-	-
Tax credit at (2006 30%)		-
Effects of		
Underwriting loss release/(provision) disallowed	861	(989)
Disallowed (underwriting result 2000/2001 YOA)	529	606
(Profit)/Loss per Lloyd's CTA1 (2004) – taxable in current period	(606)	721
Amounts not recoverable	(784)	-
S 107 disclaimer and unwind	-	230
Group relief not paid for	-	(346)
Tax charge/(credit) for the year at 11 75%	-	222

10. Financial Investments

	31.12.07 Market Value £000	31.12.07 Cost £000	31.12 06 Market Value £000	31.12.06 Cost £000
Shares and other variable yield securities	360	197	208	102
Debt securities & other fixed income securities	17,323	17,065	19,435	19,510
Deposits with credit institutions	4,792	4,792	3,575	3,575
Other	1,531	1,439	1,948	1,948
	24,006	23,493	25,166	25,135

The company is unable to ascertain the proportion of listed investment because the underlying syndicates did not supply the information

11. Other Debtors

	31 12.07 £000	31.12 06 £000
Due within one year		
Debtors within Syndicate Participations	173	440
Amounts due for tax losses	4,042	4,264
	4,215	4,704

Notes to the Financial Statements for the year ended 31 December 2007 (continued)

12. Share Capital

	31.12.07 £000	31.12.06 £000
AUTHORISED		
1,000 Ordinary shares of £1 each	1	1

	31.12.07 £000	31.12.06 £000
ISSUED AND FULLY PAID		
1,000 Ordinary shares of £1 each	1	1
	1	1

13. Reserves

	Share Premium £000	Profit & Loss Account £000	Total £000
At 1 January 2007	19,751	(36,196)	(16,445)
Profit/(Loss) for the year	-	(222)	(222)
At 31 December 2007	19,751	(36,418)	(16,667)

14. Reconciliation of Movements in Shareholders' Funds

	31.12.07 £000	31.12.06 £000
At 1 January	(16,444)	(16,666)
Profit for the year	(222)	222
At 31 December	(16,666)	(16,444)

15. Provisions for Outstanding Claims

The provision for gross outstanding claims include specific provisions established by the company

	Lloyd's Year of Account 2000 £000	2001 £000	Total £000
Loss Provisions			
At 1 January 2007	(659)	(3,177)	(3,836)
Used in year	-	824	824
Release of provisions	423	1,736	2,159
Charge for the year	(31)	(82)	(113)
At 31 December 2007	(267)	(699)	(966)

Notes to the Financial Statements for the year ended 31 December 2007 (continued)

16. Other Creditors including Taxation and Social Security

	31.12.07 £000	31.12.06 £000
Creditors within syndicate participations	20,786	22,219
Due to former parent company	31,087	21,346
Other creditors	2,970	952
	54,843	44,517

17. Cash Flow Statement

(a) Reconciliation of operating profit to operating cash flows

	31.12.07 £000	31.12.06 £000
Operating Profit	(1,173)	(143)
Increase/(Decrease) in provisions	(2,733)	3,298
Increase/(Decrease) in creditors	7,187	8,220
	3,281	11,375

(b) Movement in cash and financing

	as at 1.1.07 £000	Cash flows £000	at 31.12.07 £000
Cash in Funds at Lloyd's	11,381	3,756	15,137
	11,381	3,756	15,137

18. Contingent Liabilities

The company ceased underwriting on 31 December 2001 However the company has to provide Funds at Lloyd's until all syndicate underwriting years of account have been closed The Funds at Lloyd's comprise

	31 12.07 £000	31.12.06 £000
Letters of Credit	-	4,525
Cash	15,137	11,381
	15,137	15,906

19. Ultimate Holding Company

The company is a subsidiary of Arch Holdings Limited, a company registered in England & Wales The company's results are consolidated in the group accounts of Arch Holdings Limited, copies of which will be available at Freshwater House, 158-162 Shaftesbury Avenue, London WC2H 8HR