

Company registration number (England and Wales): 3829477

# **KILLYGOWAN LIMITED**

***DIRECTOR'S REPORT AND FINANCIAL STATEMENTS***

***FOR THE YEAR ENDED 31 DECEMBER 2005***

# KILLYGOWAN LIMITED

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# KILLYGOWAN LIMITED

## COMPANY INFORMATION

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### COMPANY PERSONNEL

<b>Directors</b>	Lord Abercorn
<b>Company Secretary</b>	Aequanimiter Limited

### COMPANY ADDRESSES

<b>Registered office</b>	Peninsular House 36 Monument Street London EC3R 8LJ
<b>Lloyd's sponsor</b>	CBS Private Capital Limited Peninsular House 36 Monument Street London EC3R 8LJ
<b>Member's agent</b>	CBS Private Capital Limited Peninsular House 36 Monument Street London EC3R 8LJ
<b>Auditors</b>	Humphrey & Co 7 - 9 The Avenue Eastbourne East Sussex BN21 3YA
<b>Solicitors</b>	Morton Fraser 30-31 Queen Street Edinburgh EH2 1JX

# KILLYGOWAN LIMITED

## DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2005

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The director has pleasure in presenting his report together with the financial statements for the year ended 31 December 2005.

### Results and dividends

The loss for the year after taxation was £50,525 (2004 profit £79,955). The director does not recommend the payment of a dividend.

### Principal activities and review of the business

The principal activity of the Company in the year under review was that of a corporate underwriting member of Lloyd's. The Company commenced underwriting with effect from 1 January 2000.

The result for the year is in respect of the 2005 annual accounting year. This represents a fundamental change in the reporting basis as disclosed in note 6 to the financial statements and has resulted in a prior year adjustment of £116,676 which has been credited to retained reserves. The syndicates identified on page 22 continue to be unable to obtain a re-insurance to close. The company has continued to write on the 2006 underwriting account where the market conditions are considered favorable for a profitable outcome subject to the level of claims experienced. Any underwriting profits will continue to be distributed by reference to the results of individual underwriting years upon closure.

### Directors and director's interests

The director who held office during the year is listed below together with his interests in the shares of the company:

	Ordinary £1.00 shares	
	31 December 2005	1 January 2005
Lord Abercorn	200	200

### Auditors

Messrs. Humphrey & Co, having signified their willingness to continue in office, will be proposed for re-appointment in accordance with section 386 of the Companies Act 1985.

Approved by the Board on 28 June 2006 and signed on its behalf by:

  
Lord Abercorn  
Director

# **KILLYGOWAN LIMITED**

## **STATEMENT OF DIRECTOR'S RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2005**

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Company law requires the director 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 director is 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 financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985.

The director is 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.

# KILLYGOWAN LIMITED

## INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF KILLYGOWAN LIMITED

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We have audited the financial statements of Killygowan Limited on pages 5 to 22 for the year ended 31 December 2005. 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 the director and auditors

As described in the statement of director's responsibilities on page 3 the company's director is responsible for the preparation of the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the director's 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 director's remuneration and other transactions is not disclosed.

We read the director's 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 judgements 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.

We have undertaken the audit in accordance with the requirements of APB Ethical Standards including APB Ethical Standard - Provisions Available for Small Entities, in the circumstances set out in note 21 to 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 2005 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

*Humphrey & Co*

Humphrey & Co  
Chartered Accountants  
Registered Auditors

7-9 The Avenue  
Eastbourne  
East Sussex  
BN21 3YA

3 July 2006

**KILLYGOWAN LIMITED****PROFIT AND LOSS ACCOUNT - TECHNICAL ACCOUNT (GENERAL BUSINESS)  
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Note	2005 £	2004 (as restated) £
Gross premiums written	2	990,726	839,257
Outward reinsurance premiums		(227,735)	(148,822)
<b>Earned premiums net of reinsurance</b>		<b>762,991</b>	<b>690,435</b>
Allocated investment income	4	47,404	32,971
<b>Claims paid</b>			
Gross amount		(527,187)	(415,087)
Reinsurers' share		173,366	144,573
<b>Net claims paid</b>		<b>(353,821)</b>	<b>(270,514)</b>
<b>Change in provision for claims</b>			
Gross amount		(513,830)	(77,581)
Reinsurers' share		279,977	(48,099)
<b>Net change in provision for claims</b>		<b>(233,853)</b>	<b>(125,680)</b>
<b>Claims incurred net of reinsurance</b>		<b>(587,674)</b>	<b>(396,194)</b>
Net operating expenses	5	(257,993)	(236,629)
Investment expenses and charges		(1,462)	(1,094)
<b>Balance on technical account for general business</b>		<b>(36,734)</b>	<b>89,489</b>

**KILLYGOWAN LIMITED****PROFIT AND LOSS ACCOUNT - NON TECHNICAL ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Note	2005 £	2004 (as restated) £
<b>Balance on the general business technical account</b>	6	<b>(36,734)</b>	89,489
Investment income	7	589	462
Other income	8	1,619	1,462
Other charges		(15,999)	(11,458)
<b>(Loss)/Profit on ordinary activities before taxation</b>	9	<b>(50,525)</b>	79,955
Tax on (loss)/profit on ordinary activities	17	-	-
<b>(Loss)/Profit for the financial year</b>		<b>(50,525)</b>	79,955
Dividends		-	-
<b>Retained (loss)/profit for the financial year</b>		<b>(50,525)</b>	79,955

All amounts above relate to continuing operations.



# KILLYGOWAN LIMITED

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005 £	2004 (as restated) £
Retained (loss)/profit for the financial year		(50,525)	79,955
<b>Total recognised gains and losses relating to the year</b>		<b>(50,525)</b>	<b>79,955</b>
Prior year adjustment	6	116,676	-
<b>Total gains and losses recognised since the last financial statements</b>		<b>66,151</b>	<b>79,955</b>

**KILLYGOWAN LIMITED**  
**BALANCE SHEET**  
**AS AT 31 DECEMBER 2005**

	Note	Syndicate Assets £	Corporate £	2005 Total £	2004 Total (as restated) £
<b>ASSETS</b>					
<b>Intangible assets</b>					
Syndicate participation rights	10	-	13,286	<b>13,286</b>	22,168
<b>Investments</b>					
Financial investments	11	1,195,356	-	<b>1,195,356</b>	1,033,756
Deposits with ceding undertakings		549	-	<b>549</b>	678
Total investments		1,195,905	-	<b>1,195,905</b>	1,034,434
<b>Reinsurers' share of technical provisions</b>					
Claims outstanding		797,506	-	<b>797,506</b>	513,026
<b>Debtors</b>					
Arising out of direct insurance operations					
Policyholders		1,510	-	<b>1,510</b>	766
Intermediaries		356,514	-	<b>356,514</b>	77,508
Arising out of reinsurance operations		78,388	-	<b>78,388</b>	60,634
Other debtors	12	86,959	79,869	<b>166,828</b>	399,713
Total debtors		523,371	79,869	<b>603,240</b>	538,621
<b>Other assets</b>					
Cash at bank	13	171,767	7,233	<b>179,000</b>	175,724
Other		97,320	-	<b>97,320</b>	91,831
Total other assets		269,087	7,233	<b>276,320</b>	267,555
<b>Prepayments and accrued income</b>					
Other prepayments and accrued income		104,593	-	<b>104,593</b>	86,321
<b>Total assets</b>		<b>2,890,462</b>	<b>100,388</b>	<b>2,990,850</b>	<b>2,462,125</b>

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# KILLYGOWAN LIMITED

## BALANCE SHEET (continued) AS AT 31 DECEMBER 2005

	Note	Syndicate Liabilities £	Corporate £	2005 Total £	2004 Total as restated £
<b>LIABILITIES</b>					
<b>Capital and reserves</b>					
Called-up share capital	14	-	200	200	200
Share premium account	15	-	-	-	-
Profit and loss account	15	-	(138,241)	(138,241)	(87,716)
<b>Shareholder's funds attributable to equity interests</b>	16	-	(138,041)	(138,041)	(87,516)
<b>Technical provisions</b>					
Claims outstanding - gross amount		2,595,313	-	2,595,313	2,029,260
<b>Provisions for other risks and charges</b>					
Provision for taxation	17	-	-	-	-
<b>Deposits received from reinsurers</b>		15,435	-	15,435	1,920
<b>Creditors</b>					
Arising out of direct insurance operations		40,378	-	40,378	20,526
Arising out of reinsurance operations		95,678	-	95,678	77,718
Amounts due to credit institutions		403	-	403	37
Other creditors	18	136,998	236,585	373,583	410,382
<b>Total creditors</b>		273,457	236,585	510,042	508,663
<b>Accruals and deferred income</b>					
Other accruals and deferred income		6,257	1,844	8,101	9,798
<b>Total liabilities</b>		2,890,462	100,388	2,990,850	2,462,125

Approved by the Board on  2006 and signed on its behalf by:

  
Lord Abercorn  
Director

**KILLYGOWAN LIMITED****CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 2005**

	Note	2005 £	2004 £
<b>Net cash inflow from operating activities</b>	19	91,227	1,371
<b>Returns on investments and servicing of finance</b>			
Interest received		589	462
Dividends received		-	-
<b>Net cash inflow from returns on investments and servicing of finance</b>		589	462
<b>Taxation</b>			
UK corporation tax paid		-	-
Foreign tax paid		-	-
<b>Net cash inflow from taxation</b>		-	-
<b>Capital expenditure and financial investment</b>			
Purchase of syndicate participation rights		-	(8,962)
Proceeds from sale of syndicate participation rights		-	2,374
Purchase of investments		-	-
Proceeds from sale of investments		-	-
<b>Net cash inflow/(outflow) from capital expenditure and financial investment</b>		-	(6,588)
<b>Net cash inflow/(outflow) before financing</b>		91,816	(4,755)
<b>Financing</b>			
Funds (withdrawn from)/lent to the company by the company's shareholders		(103,217)	6,588
<b>Net cash (outflow)/inflow from financing</b>		(103,217)	6,588
<b>(Decrease)/Increase in cash</b>		(11,401)	1,833
Net funds at 1 January		18,634	16,801
(Decrease)/Increase in cash in the year		(11,401)	1,833
<b>Net funds at 31 December</b>		7,233	18,634

The Company has no control over the disposition of assets and liabilities at Lloyd's. Consequently, the Cash Flow Statement is prepared reflecting only the movement in corporate funds, which includes transfers to and from the Syndicates at Lloyd's.

# **KILLYGOWAN LIMITED**

## **NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2005**

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### **1 Accounting policies**

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

The Financial Statements have been prepared in accordance with Section 255 and Schedule 9A of the Companies Act 1985 and the recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in 2005. They are prepared under the historical cost basis of accounting modified to include the revaluation of investments, and comply with applicable accounting standards.

#### **Change in reporting basis**

The underwriting results included within the technical account are determined on an annual basis of accounting (see note 6). This represents a fundamental change in reporting basis rather than a series of changes in accounting policies. Previously results were determined on a three year funded basis whereby each underwriting year of account was normally kept open for three years and the result only ascertained at the end of the third year when the year of account was usually closed by reinsurance.

The prior year figures have been restated as disclosed in note 15.

#### **Basis of accounting**

The technical account has been prepared on an annual basis of accounting, whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums net of re-insurance.

Accounting information in respect of the Syndicate participations has been provided by the Syndicate managing agents through an information exchange facility operated by Lloyd's and has been reported on by the Syndicate auditors.

Assets and liabilities arising as a result of the underwriting activities are mainly controlled by the Syndicates' managing agents and are shown separately on the Balance Sheet as "Syndicate Assets" and "Syndicate Liabilities". The assets are held subject to trust deeds for the benefit of the Syndicates' insurance creditors.

In continuing to apply the going concern basis to this Company's Financial Statements the following factors have been taken into account: the likely timing of any underwriting and non-underwriting cash flows, any Funds at Lloyd's supporting the Company's underwriting and not reflected in the Company's Balance Sheet and the continued support of the Directors and Shareholders including the potential deferral of balances due to them.

### **General business**

#### **i Premiums**

Gross premiums are accounted for in the period in which the risk commences, together with adjustments to premiums written in previous accounting periods. Future premiums relating to risks commencing in the period are based upon estimates made by the Syndicates' management. Other adjustments are accounted for as arising.

#### **ii Claims**

Provision is made for the estimated cost of claims outstanding at the end of the year, including those incurred but not reported at that date, and for the related cost of settlement. Claims incurred comprise amounts paid or provided in respect of claims occurring during the current year, together with the amount by which settlement or reassessment of claims from previous years differs from the provision at the beginning of the year.

# KILLYGOWAN LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2005

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### ii Claims (continued)

The claims provision determined by the managing agent will have been based on information that was currently available at the time. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided and will be reflected in the financial statements for the period in which the adjustment is made.

### iii Investments and allocated investment income

In accordance with Lloyd's current accounting practice, investments are stated at market value, including accrued interest at the Balance Sheet date. Investment income is included in the General Business Technical Account reflecting that earned on the investment portfolio managed by the Syndicates. The allocated investment income therefore comprises income received and investment profits and losses arising in the calendar year including appreciation/depreciation and accrued interest consequent upon the revaluation of investments at 31 December. All gains and losses on investments are treated as realised at the Balance Sheet date.

### iv Basis of currency translation

Syndicates maintain separate funds in Sterling, United States and Canadian dollars, and may also do so in certain other currencies. All transactions where separate currencies are maintained are translated into Sterling at the rates of exchange ruling at the Balance Sheet date. Transactions during the year in other overseas currencies are expressed in Sterling at the rates ruling at the transaction date.

### v Debtors/creditors arising from insurance/reinsurance operations

The amounts shown in the Balance Sheet include the totals of all the Syndicates outstanding debit and credit transactions. No account has been taken of any offsets which may be applicable in calculating the net amounts due between the Syndicates and each of their counterparty insureds, reinsurers or intermediaries as appropriate.

## 1.2 Deferred Taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities have not been discounted.

## 1.3 Intangible assets

Costs incurred by the Company in the Corporation of Lloyd's auctions in order to acquire rights to participate on Syndicates' underwriting years are included within intangible assets and amortised over a 3 year period beginning with the respective year of Syndicate participation.

## 1.4 Investments

Investments held directly by the company, by trustees of the Premium Trust Fund, or as the Lloyds Deposit, are stated at market value.

# KILLYGOWAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

2 Class of business	Gross written premiums £	Gross claims incurred £	Operating expenses £	Reinsurance balance £
<b>2005</b>				
<b>Direct</b>				
Accident and health	22,834	(8,730)	(7,661)	(1,174)
Motor - third party liability	14,026	(7,221)	(2,861)	(39)
Motor - other classes	93,792	(53,633)	(23,910)	(1,682)
Marine, aviation and transport	110,573	(159,310)	(28,990)	60,850
Fire and other damage to property	191,050	(199,406)	(51,413)	41,357
Third party liability	237,027	(151,115)	(64,087)	1,933
Credit and suretyship	7,686	(9,062)	(4,694)	433
Other	6,443	(3,033)	(1,887)	(30)
<b>Total direct</b>	<b>683,431</b>	<b>(591,510)</b>	<b>(185,503)</b>	<b>101,648</b>
<b>Reinsurance business</b>				
Reinsurance balance	307,295	(449,507)	(72,490)	123,960
<b>Total</b>	<b>990,726</b>	<b>(1,041,017)</b>	<b>(257,993)</b>	<b>225,608</b>
<b>2004</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Direct</b>				
Accident and health	14,973	(13,716)	(6,232)	758
Motor - third party liability	4,499	(2,826)	(2,290)	398
Motor - other classes	60,854	(26,907)	(11,217)	(1,699)
Marine, aviation and transport	89,355	(50,442)	(28,935)	(10,123)
Fire and other damage to property	150,257	(86,530)	(51,159)	(13,013)
Third party liability	251,750	(161,596)	(72,993)	(9,953)
Credit and suretyship	6,268	(9,839)	(2,354)	588
Other	6,727	(2,358)	(2,152)	(86)
<b>Total direct</b>	<b>584,683</b>	<b>(354,214)</b>	<b>(177,332)</b>	<b>(33,130)</b>
<b>Reinsurance business</b>				
Reinsurance balance	254,574	(138,454)	(59,297)	(19,218)
<b>Total</b>	<b>839,257</b>	<b>(492,668)</b>	<b>(236,629)</b>	<b>(52,348)</b>

Any open year loss provisions, stop loss premiums and stop loss recoveries have been allocated across the classes of business by reference to the gross premiums written.

# KILLYGOWAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2005

<b>3</b>	<b>Geographical analysis</b>	<b>2005</b>	<b>2004</b>
		<b>£</b>	<b>£</b>
	<b>Direct gross premiums written in:</b>		
	United Kingdom	990,726	839,257
	Other EU member states	-	-
	The rest of the world	-	-
	<b>Total</b>	<b>990,726</b>	<b>839,257</b>
<b>4</b>	<b>Allocated investment income</b>	<b>2005</b>	<b>2004</b>
		<b>£</b>	<b>£</b>
	Investment income	47,389	40,156
	Realised gain/(loss) on investments	15	(7,185)
	<b>Total</b>	<b>47,404</b>	<b>32,971</b>
<b>5</b>	<b>Net operating expenses</b>	<b>2005</b>	<b>2004</b>
		<b>£</b>	<b>£</b>
	Acquisition costs	185,343	160,333
	Administrative expenses	75,158	72,440
	(Profit)/Loss on exchange	(2,508)	3,856
	<b>Total</b>	<b>257,993</b>	<b>236,629</b>

### 6 Change in reporting basis

Prior to 1 January 2005 accounting information on syndicate participations had been provided by the Syndicate managing agents on a three year funded basis whereby each underwriting year of account was normally kept open for three years and the result ascertained at the end of the third year when the year of account was usually closed by reinsurance into the following year of account.

The move to the annual basis of accounting represents a fundamental change in the reporting basis rather than a series of changes of accounting policies. Comparative amounts for 2004 have been restated. The net effect of the change is reflected in a prior year adjustment to reserves shown in note 15.

The annual basis of accounting is fundamentally different from the three year funded basis and it is not considered practicable to identify the impact of the change of basis on the current year.

A full breakdown of the accounting policies used under the previous basis of accounting can be found in the 2004 accounts.



# KILLYGOWAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2005

<b>7</b>	<b>Investment income</b>	<b>2005</b>	<b>2004</b>
		<b>£</b>	<b>£</b>
	Income from other investments (including interest receivable)	589	462
	Realised gain from other investments	-	-
	Unrealised gain from other investments	-	-
	<b>Total</b>	<b>589</b>	<b>462</b>
<b>8</b>	<b>Other income</b>	<b>2005</b>	<b>2004</b>
		<b>£</b>	<b>£</b>
	Profit on sale of syndicate participation rights	-	1,462
	Other	1,619	-
	<b>Total</b>	<b>1,619</b>	<b>1,462</b>
<b>9</b>	<b>(Loss)/Profit on ordinary activities before taxation</b>	<b>2005</b>	<b>2004</b>
		<b>£</b>	<b>£</b>
	This is stated after charging:		
	Auditor's remuneration - audit	570	535
	Auditor's remuneration - other	1,000	1,000
	Amortisation of syndicate capacity	8,882	6,824

The company has no employees.

# KILLYGOWAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2005

### 10 Intangible assets

#### Syndicate Participation Rights

£

#### Cost

At 1 January 2005

63,701

Additions

-

Disposals

-

At 31 December 2005

63,701

#### Amortisation

At 1 January 2005

41,533

Charge for the year

8,882

Impairment losses

-

Disposals

-

At 31 December 2005

50,415

#### Net book value

At 31 December 2005

13,286

At 31 December 2004

22,168

### 11 Investments: Financial investments

	Syndicate	Corporate	2005 Total	2004 Total
	£	£	£	£

#### At market value

Shares and other variable yield securities

74,955

-

74,955

66,031

Debt securities and other fixed income securities

1,063,178

-

1,063,178

904,051

Participation in investment pools

4,803

-

4,803

25,536

Loans guaranteed by mortgage

-

-

-

-

Other loans

7,180

-

7,180

-

Deposits with credit institutions

44,087

-

44,087

38,138

Other

1,153

-

1,153

-

Total

1,195,356

-

1,195,356

1,033,756

The corporate investments held include £Nil (2004: £Nil) at market value in respect of Lloyd's deposits that are held in accordance with the constraints detailed in note 20.

# KILLYGOWAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2005

### 11 Investments: Financial investments (continued)

	Syndicate £	Corporate £	2005 Total £	2004 Total £
<b>At cost</b>				
Shares and other variable yield securities	70,959	-	<b>70,959</b>	65,231
Debt securities and other fixed income securities	1,067,514	-	<b>1,067,514</b>	894,962
Participation in investment pools	4,581	-	<b>4,581</b>	25,532
Loans guaranteed by mortgage	-	-	-	-
Other loans	5,430	-	<b>5,430</b>	17
Deposits with credit institutions	43,960	-	<b>43,960</b>	37,197
Other	1,357	-	<b>1,357</b>	753
<b>Total</b>	<b>1,193,801</b>	<b>-</b>	<b>1,193,801</b>	<b>1,023,692</b>

### 12 Debtors

	Syndicate £	Corporate £	2005 Total £	2004 Total £
Deferred tax	-	-	-	-
Other	86,959	79,869	<b>166,828</b>	399,713
<b>Total</b>	<b>86,959</b>	<b>79,869</b>	<b>166,828</b>	<b>399,713</b>

### 13 Cash at bank

	Syndicate £	Corporate £	2005 Total £	2004 Total £
Lloyd's deposit	-	7,215	<b>7,215</b>	18,515
Cash at bank and in hand	171,767	18	<b>171,785</b>	157,209
<b>Total</b>	<b>171,767</b>	<b>7,233</b>	<b>179,000</b>	<b>175,724</b>

Any Lloyd's deposit is held in accordance with the constraints detailed in note 20.

# KILLYGOWAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2005

<b>14 Share capital</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
<i>Authorised</i>		
100,000 Ordinary shares of £1.00 each	100,000	100,000
<i>Allotted, called up and fully paid</i>		
200 Ordinary shares of £1.00 each	200	200
<b>15 Statement of movements on reserves</b>	<b>Share premium account</b>	<b>Profit and loss account</b>
	<b>£</b>	<b>£</b>
At 1 January 2005 as previously stated	-	(204,392)
Prior year adjustment (see note 6)	-	116,676
At 1 January 2005 as restated	-	(87,716)
Retained loss during the year	-	(50,525)
At 31 December 2005	-	(138,241)
<b>16 Reconciliation of movements in shareholders' funds</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>as restated</b>
		<b>£</b>
Retained (loss)/profit for the financial year	(50,525)	79,955
Proceeds from the issue of shares	-	-
Net (depletion in)/addition to shareholders' funds	(50,525)	79,955
Opening shareholders' funds as restated	(87,516)	(167,471)
Closing shareholders' funds	(138,041)	(87,516)
<b>17 Taxation</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
<i>Analysis of charge in year</i>		
<i>Current tax</i>		
UK Corporation Tax on profits of the year	-	-
Adjustments in respect of prior years	-	-
Total current tax	-	-

# KILLYGOWAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2005

17 Taxation (continued)	2005 £	2004 £
<b>Analysis of charge in year</b>		
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	-
Changes in tax rates	-	-
Adjustment to the estimated recoverable amounts of deferred tax assets arising in prior years	-	-
Other items	-	-
<b>Total deferred tax</b>	-	-
 Tax on (loss)/profit on ordinary activities	-	-

### Factors affecting tax charge for the year

The tax assessed for the year is higher (2004 - lower) than the standard rate of Corporation Tax in the UK of 19.00% (2004 - 19.00%). The differences are explained below:

	2005 £	2004 £
(Loss)/Profit on ordinary activities before taxation	(50,525)	79,955
(Loss)/Profit on ordinary activities before taxation multiplied by the standard rate of Corporation Tax in the UK of 19.00% (2004 - 19.00%).	(9,600)	15,191
<b>Effects of:</b>		
Expenses not deductible for tax purposes	-	-
Timing differences arising from the taxation of the underwriting results	24,913	(39,631)
Timing differences arising from the taxation of syndicate participation movements	-	-
(Utilisation of tax losses)/Tax losses carried forward	(15,313)	24,440
Adjustments to tax charge in respect of prior periods	-	-
Other adjustments	-	-
<b>Current tax charge for the year</b>	-	-

### Factors that may affect future tax charges

The company has trading losses of £195,789 (2004 - £276,789) available for carry forward against future trading profits.

# KILLYGOWAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2005

17 Taxation (continued)	2005 £	2004 £
<i>Provision for deferred tax</i>		
At 1 January 2005	-	-
Charge to the profit and loss account	-	-
Released or utilised in the year	-	-
At 31 December 2005	-	-

Full provision has been made for all timing differences apart from the recovery of taxation losses against future trading profits, which cannot be prudently anticipated at this time.

The deferred tax asset not provided for in respect of Corporation Tax losses, and deferred tax losses not yet assessable to Corporation Tax, amounted to £22,011 (2004 - £12,104).

18 Other creditors	Syndicate £	Corporate £	2005 £	2004 £
Other creditors	136,998	105,401	242,399	175,981
Social security costs	-	-	-	-
Corporation tax	-	-	-	-
Shareholders' loan account	-	131,184	131,184	234,401
	136,998	236,585	373,583	410,382

The above shareholders' loan has been included in the related party transactions note 22.

19 Reconciliation of operating (loss)/profit before interest to net cash inflow from operating activities	2005 £	2004 £
Operating (loss)/profit before interest	(51,114)	79,493
Current year result not distributable in year	36,734	(89,489)
Prior year result distributable in year	95,979	(113,315)
Loss/(Profit) on sale of syndicate participation rights	-	(1,462)
Increase in creditors	746	57,368
Decrease in debtors	-	61,952
Amortisation and impairment of syndicate participation rights	8,882	6,824
Net cash inflow from operating activities	91,227	1,371

# **KILLYGOWAN LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2005**

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### **20 Fund's at Lloyd's**

Cash balances of £7,215 (2004: £18,515) detailed in note 13 and investments of £Nil (2004: £Nil) detailed in note 11 are held within the company's Lloyd's deposit.

The Lloyd's deposit represents funds deposited with the Corporation of Lloyd's (Lloyd's) to support the company's underwriting activities as described in the accounting policies. The company has entered into a legal agreement with Lloyd's which gives the Corporation the right to apply these funds in settlement of any claims arising from the company's participation on Lloyd's Syndicates. These funds can only be released from the provision of this deed with Lloyd's express permission and only in circumstances where the amounts are either replaced by an equivalent asset or after the expiration of the company's liabilities in respect of its underwriting.

In addition to these amounts, the shareholders of the company have also made available to Lloyd's assets amounting to approximately £507,000 (2004: £422,000) which are also used by the company to support its Lloyd's underwriting. These funds are also available to Lloyd's to meet the personal underwriting liabilities of the shareholders for underwriting years prior to the commencement of trading by the company.

### **21 Auditors' Ethical Standards**

In common with many businesses of our size and nature we use our auditors to prepare and submit returns to the tax authorities and assist with the preparation of the financial statements.

### **22 Related party transactions**

Lord Abercorn is the controlling director and shareholder of the company. During 2005 he provided funding of £1,707 (2004 - £6,588) and withdrew funding of £104,924 (2004 - £ Nil). Included within creditors at 31 December 2005 is £131,184 (2004 - £234,401) which is due to Lord Abercorn. This amount is shown separately in note 18 under Shareholders' loan account. No interest is chargeable on the amount outstanding.

# KILLYGOWAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2005

### 23 Syndicates

The company is or was an Underwriting Member of the following Syndicate(s) or MAPA's:

Syn. No.	Managing agent	2006 Allocated Capacity	2005 Allocated Capacity	2004 Allocated Capacity	2003 Allocated Capacity *
0033	Hiscox Syndicates Limited	109,786	102,142	100,000	117,596
0218	Cox Syndicate Management Limited	60,125	65,000	50,000	-
0260	KGM Underwriting Agencies Limited	32,247	29,998	-	-
0318	Beaufort Underwriting Agency Limited	40,000	40,000	-	-
0386	Limit Underwriting Limited	64,001	80,001	100,000	95,856
0510	R J Kiln & Co Limited	114,498	99,999	40,000	-
0609	Atrium Underwriters Limited	90,489	90,489	81,407	72,362
0623	Beazley Furlonge Limited	-	-	75,008	75,000
0727	S A Meacock & Co Limited	49,370	49,370	30,915	28,733
0780	Advent Underwriting Limited	38,766	38,766	41,895	44,099
0958	Omega Underwriting Agents Limited	72,150	65,000	100,237	68,562
1007	SVB Syndicates Limited	-	-	44,056	30,798
2001	Amlin Underwriting Limited	-	-	-	53,261
2010	Cathedral Underwriting Limited	62,500	50,000	38,747	30,998
2020	Wellington Underwriting Agencies Limited	109,589	100,000	86,920	83,348
2525	Abacus Syndicates Limited	41,097	36,562	-	-
2526	Abacus Syndicates Limited	33,127	28,878	25,000	-
2791	Managing Agency Partners Limited	61,373	50,000	36,618	36,618
* shading denotes year of account in run-off		£ 979,118	£ 926,205	£ 850,803	£ 737,231

In addition the company is still participating on the following syndicates or MAPA's in run-off:

Syn. No.	Managing agent	Year of Account	Allocated Capacity
0002	Advent Underwriting Limited	2002	28,044
1007	SVB Syndicates Limited	2002	30,798
0002	Advent Underwriting Limited	2001	20,000
0340	St Paul Travelers Syndicate	2001	22,223
0435	Faraday Underwriting Limited	2001	50,000
0588	XL London Market Limited	2001	30,000
0861	XL London Market Limited	2001	50,000
0062	Marlborough Underwriting Agency Limited	2000	25,000
0138	Syndicate 138 Agency Limited	2000	15,000
0205	Jago Managing Agency Limited	2000	25,000
0340	St Paul Travelers Syndicate	2000	25,000
0435	Faraday Underwriting Limited	2000	50,000