KITE DEDICATED LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

Company No. 4011388

Kite Dedicated Limited

Registered No. 4011388

Director
G Nash

Auditors
Ernst & Young LLP
1 More London Place
London
SE1 2AF

Registered Office
20-22 Bedford Row
London
WC1R 4JS

Director's Report

The Director presents the report and financial statements for the year ended 31 December 2009 The financial statements have been prepared on a break up basis as the director no longer considers that the company is a going concern In previous years the financial statements have been prepared on a going concern basis as although the company had a deficiency of net assets it was reliant on an undertaking from Lloyd's that the company's insurance liabilities would be paid by the New Central Fund As explained in note 1 to the financial statements, during the year the company has incurred a liability which does not arise from its insurance operations The company is unable to meet this liability which becomes payable in October 2011 The adoption of the break up basis has no material effect on the balance sheet or the result for the year

Results and Dividends

The results of the year under review show a profit of £40,963,000 (2008 - loss £9,331,000) after taxation The profit for the year arises from the release of reserves previously established across all books of business but especially from the Contingent Cost Insurance book The Director recommends that no dividend should be paid (2008 - £nil)

Principal Activity and Review of Business

Kite Dedicated Limited traded as a corporate member at Lloyd's solely underwriting on Syndicate 102 for the 2001, 2002 and 2003 years of account On 31 October 2003, Syndicate 102 ceased trading and went into run-off as a result of material losses arising from certain lines of business, initially underwritten in the soft market conditions of 1999 and 2000, deteriorating significantly during 2003 and deficiencies in the syndicate's reinsurance programme The deterioration was primarily caused by the legal expenses and contingent cost insurance accounts

The net assets of Kite Dedicated Limited show a deficit of £265 3 million as at 31 December 2009, which is wholly attributable to losses on underwriting, provisions for run-off costs and the write-off of capacity rights Goshawk Insurance Holdings plc, the former ultimate parent undertaking of Kite Dedicated Limited, will not commit further capital to Kite Dedicated Limited At its meeting on 1 April 2010, the Council of Lloyd's approved the granting of a New Central Fund undertaking to meet the company's insurance liabilities up to an amount of £30 million prior to 1 April 2011 At 31 December 2009 the amount outstanding on the loan from the New Central Fund amounted to £161 5 million Any future earnings of Kite Dedicated Limited would be applied to repaying its obligations to the New Central Fund

As referred to above the loan from the New Central Fund does not cover non-insurance liabilities Negotiations between various interested parties are taking place to seek a solution whereby the company is able to meet the liability due in October 2011 In the event that these negotiations fail the company will be put into provisional liquidation

The managing agent of Syndicate 102 is actively seeking a reinsurance to close of the three open underwriting years If successful this company will have no further insurance transactions

Principal Risks and Uncertainties

As referred to above, the company participates as the sole capital provider for syndicate 102 for the 2001, 2002 and 2003 years of account These years of account are running off and the company's Funds at Lloyd's are exhausted Managing the risks and uncertainties of the syndicate in which the company participates is the responsibility of the syndicate's managing agent

As referred to in the previous paragraph if no solution is reached as a result of the negotiations between the interested parties which will enable the company to meet the liability due in October 2011, it will be necessary to put the company into provisional liquidation

Directors

R J Murphy and G P Nash served as directors throughout the year R J Murphy resigned as a director on 28 June 2010

Director's Report (continued)

Disclosure of Information to the Auditors

So far as the person who was the director of the company at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with this report of which the auditor is unaware Having made enquiries of the company's auditor the director has taken all the steps which he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

Ernst & Young LLP will be re-appointed as the Company's auditor in accordance with the elective resolution passed by the Company

By order of the Board

G P Nash
Director
11 January 2011

Statement of directors' responsibilities in respect of the financial statements

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 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 UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The director is responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 The director is also responsible for safeguarding the assets of the company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent Auditor's Report
To the members of Kite Dedicated Limited

We have audited the financial statements of Kite Dedicated Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Cash Flows and the related notes 1 to 19 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) The financial statements are prepared on a break-up basis

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to it 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

As explained more fully in the Statement of Directors' Responsibilities set out on page 3 the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of Matter – Going concern and cost of closure of the syndicate's open years of account

In forming our opinion on the financial statements, which is not qualified, we have considered the following

The adequacy of the disclosures concerning the inability of the company to continue as a going concern as described in Note 1 – basis of preparation The Director considers that the going concern basis of accounting is not appropriate since the company is unlikely to be able to meet its tax liabilities as they fall due The accounts have therefore been prepared on the break up basis

The adequacy of disclosures made in the financial statements concerning the cost of closure of the syndicate's open years of account As disclosed in note 19 to the financial statements, material uncertainty exists regarding the cost of closure of the syndicate in which the company participates by reinsurance to close to a third party The ultimate outcome of this matter cannot presently be determined and consequently material adjustments to the company's technical reserves may be required

Independent Auditor's Report
To the members of Kite Dedicated Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Clifford Houghton (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
12 January 2011

Kite Dedicated Limited

Profit and Loss Account
for the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
TECHNICAL ACCOUNT - GENERAL BUSINESS			
Earned premiums net of reinsurance			
Gross premiums written		(32)	1,257
Outward reinsurance premiums		2,795	(385)
Net earned premiums		2,763	872
Allocated investment income transferred from the non technical account	3	749	3,210
Total technical income		3,512	4,082
Claims incurred net of reinsurance			
Claims paid			
- Gross amount		(27,157)	(23,740)
- Reinsurer's share		5,518	5,229
		(21,639)	(18,511)
Change in provision for claims			
- Gross amount		66,330	28,742
- Reinsurer's share		(10,232)	(9,309)
		56,098	19,433
Net claims incurred	4	34,459	922
Net operating expenses	5	8,592	(24,925)
Balance on technical account – general business		46,563	(19,921)

All operations are discontinued

The notes on pages 12 to 21 form part of the financial statements and include details of the basis of preparation in note 1

Kite Dedicated Limited

Profit and Loss Account
for the year ended 31 December 2009

	Notes	*2009* *£'000*	*2008* *£'000*
NON TECHNICAL ACCOUNT			
Balance on technical account - general business		46,563	(19,921)
Investment income	3	749	3,210
Allocated investment income transferred to the technical account	3	(749)	(3,210)
Profit/loss on ordinary activities before taxation		46,563	(19,921)
Taxation on profit/(loss) on ordinary activities	7	(5,600)	10,590
Profit/(loss) for the financial year		40,963	(9,331)

All operations are discontinued

There are no recognised gains or losses other than the result for the year

The notes on pages 12 to 21 form part of the financial statements and include details of the basis of preparation in Note 1

Kite Dedicated Limited

Balance Sheet
at 31 December 2009

	Notes	*2009* *£'000*	*2008* *£'000*
ASSETS			
Investments			
Other financial investments	9	53,159	49,331
Reinsurers' share of technical provisions			
Claims outstanding		23,327	36,436
Debtors			
Debtors from direct reinsurance operations			
Due from intermediaries		261	268
Debtors arising out of reinsurance operations		3,053	4,566
Other debtors	10	6,240	5,649
		9,554	10,483
Other Assets			
Cash at bank and in hand		7,492	10,857
Prepayments and accrued income			
Other prepayments and accrued income	11	839	1,012
TOTAL ASSETS		94,371	108,119

The notes on pages 12 to 21 form part of the financial statements and include details of the basis of preparation in Note 1

Kite Dedicated Limited

Balance Sheet
at 31 December 2009

	Notes	*2009* *£'000*	*2008* *£'000*
LIABILITIES			
Capital and Reserves			
Share capital	12	-	-
Profit and loss account		(265,271)	(306,234)
Shareholders' funds attributable to equity interest	13	(265,271)	(306,234)
Technical provision			
Claims outstanding		120,148	202,613
Provision for other risks and charges	8	5,600	-
Creditors due within one year			
Creditors arising out of direct insurance operations		1,946	4,858
Creditors arising out of reinsurance operations		1,614	4,651
Other	14	229,724	201,623
		233,284	211,132
Accruals and deferred income	15	610	608
TOTAL LIABILITIES		94,371	108,119

G P Nash
Director

Company No 4011388

11 January 2011

The notes on pages 12 to 21 form part of the financial statements and include details of the basis of preparation in Note 1

Kite Dedicated Limited

Statement of Cash Flows
For the year ended 31 December 2009

	Notes	*2009* *£'000*	*2008* *£'000*
Net cash movement from operating activities	16(a)	7,639	(24,566)
Consortium relief received		-	10,590
		7,639	(13,976)
Cash flows were invested as follows:			
(Decrease) in cash holdings	16(c)	(2,919)	(611)
Net Portfolio investments			
Other financial investments	16(c)	10,558	(13,365)
Net Investment of Cash Flows		7,639	(13,976)

The notes on pages 12 to 21 form part of the financial statements and include details of the basis of preparation in Note 1

Notes to the Financial Statements
at 31 December 2009

1. Accounting Policies

Basis of preparation

The Director has prepared the financial statements on the break up basis as he does not consider that the company is a going concern The company's insurance liabilities are being met by loans from the Lloyd's New Central Fund

At its meeting on 1 April 2010, the Council of Lloyd's approved the granting of a New Central Fund undertaking to meet the company's insurance liabilities up to an amount of £30 million prior to 1 April 2011 These amounts are based on the current estimates of the cash calls which will be made by the managing agent of the syndicate in which the company participates in this period

Pursuant to paragraph 11 of the New Central Fund Byelaw, Lloyd's are entitled to demand from the company an amount equal to the payments by the New Central Fund under this agreement

In the event that Lloyd's exercise their entitlement to demand from the company an amount equal to any payments made by the New Central Fund, the company will not be able to meet its insurance liabilities Although the director considers it unlikely that Lloyd's will take this action, there is therefore material uncertainty that casts significant doubt as to whether the company will continue to be able to meet its insurance liabilities

However this facility made available by Lloyd's does not extend to the payment of any non-insurance liability incurred by the company During 2009 the company has incurred a non-insurance liability of £5 6m which becomes payable on 1 October 2011 This is a liability for corporation tax payable which has arisen as the company does not have adequate losses for tax purposes to absorb all of the 2009 profit This arises as a significant amount of prior year losses have been surrendered to other companies by way of consortium relief The company anticipates that it is unlikely to be able to meet this liability for corporation tax and therefore the director has decided to prepare the financial statements on the break up basis The adoption of the break up basis has no effect on the value of the net assets of the company nor on the result for the year

Negotiations are currently being held by interested parties to see whether a solution can be found whereby the company can meet this tax liability In the event that no solution is found the company will be put into provisional liquidation

Accounting convention

The financial statements have been prepared in accordance with applicable accounting standards and have been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI2008/410") relating to insurance companies, and with the Statement of Recommended Practice for Insurance Business issued by the Association of British Insurers ("the ABI SORP") dated December 2005 (as amended in December 2006), except that exchange differences are dealt with in the technical account as there are no non-technical items

The principal accounting policies adopted are described below

a) Basis of Accounting for underwriting business
The Company underwrote as a corporate member of Lloyd's on Syndicate 102 and accounts on an annual accounting basis, whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance

Notes to the Financial Statements (continued)
at 31 December 2009

1. Accounting Policies (continued)

b) **Syndicate Participations**

i **Premiums Written**

Premiums written comprise premiums on contracts incepted during the financial year as well as adjustments made in the year to premiums written in prior accounting periods Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet notified

ii **Reinsurance Premium Ceded**

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured

iii **Claims Provisions and Related Recoveries**

The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs The provision also includes the estimated cost of claims incurred but not reported ("IBNR") at the balance sheet date based on statistical methods

These methods generally involved projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset

The reinsurers' share of provisions for claims is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience of the year and the current security rating of the reinsurance companies involved A number of statistical methods are used to assist in making these estimates

The most critical assumption as regards claims provisions is that the past is a reasonable predictor of the likely level of claims development

The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them 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

Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made The methods used, and the estimates made, are reviewed regularly

c) **Exchange Rates**

The syndicate in which the company participates maintain accounts in Sterling, US Dollars, Canadian Dollars and Euros Assets and liabilities in these currencies are translated to sterling at the rates of exchange ruling at the balance sheet date Technical account items in these currencies are translated to sterling at average rates of exchange The syndicates' transactions in other currencies are expressed in sterling at the rates ruling at the transaction dates All exchange differences are dealt with through the profit and loss account

Notes to the Financial Statements (continued)
at 31 December 2009

d) **Investment Income**
Syndicate investments and cash are held on a pooled basis, the return from which is allocated to underwriting years of account proportionately to the funds constituted by the year of account Investment income and all investment gains and losses (realised and unrealised) relating to syndicate investments and cash are included in the non-technical account and transferred to the technical account

e) **Operating Expenses**
Operating expenses include the Company's share of syndicate operating expenses The Company's underwriting expenses, which include items such as Lloyd's subscriptions and Central Fund contributions, together with fees and commissions payable to managing agents are charged to the technical account

f) **Deferred Taxation**
Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transaction or events have occurred at that date that will result in an obligation to pay more or to pay less or to receive more tax Deferred tax assets are recognised only to the extent that the Directors consider that is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

g) **CCI Business Disclosure**
During 1999-2003 the Syndicate underwrote policies which insured viatical companies mostly domiciled in the United States For a lump sum viatical companies acquire the rights of individual policyholders to death benefits under life policies entered into by the policyholder with life Insurers The Syndicate insured the viatical companies against the risks that the individual policyholder would survive beyond a pre-determined date

Under these policies, in the event of a policyholder surviving beyond the agreed date, the Syndicate is required to pay to the viatical company an amount equivalent to the death benefit that the viatical company would otherwise have received Such payments are accounted for as paid claims in these accounts

In the case of each claim, the Syndicate may take an assignment of the right to the death benefit under the underlying Life policy, pay the necessary premiums, and receive the death benefit when the policyholder dies These death benefit recoveries are accounted for as claims recoveries and the premiums to be paid are account for as claims recovery expenses

Provision is made within outstanding claims for the anticipated claims payable to the viatical companies in respect of all policyholders expected to survive beyond the specified dates These outstanding claims are stated net of anticipated claims recoveries and claims recovery expenses

Expected claims recoveries less expected claims recovery expenses relating to paid claims are included in other debtors

Notes to the Financial Statements (continued)
at 31 December 2009

2. Segmental information

2009	Marine Aviation& Transport £'000	Third Party Liability £'000	Fire & Other Damage to Property £'000	Other Direct £'000	Reinsurance accepted £'000	Total £'000
Gross premiums written	505	111	(24)	(212)	(412)	(32)
Gross premiums earned	505	111	(24)	(212)	(412)	(32)
Gross claims incurred	2,949	(129)	708	27,918	7,727	39,173
Gross operating expenses	873	12	157	6,217	1,333	8,592
Gross technical result	4,327	(6)	841	33,923	8,648	47,733
Reinsurance balance	299	59	4	(757)	(1,524)	(1,919)
	4,626	53	845	33,166	7,124	45,814
Allocated investment return						749
Balance on technical account						46,563

2008	Marine Aviation& Transport £'000	Third Party Liability £'000	Fire & Other Damage to Property £'000	Other Direct £'000	Reinsurance accepted £'000	Total £'000
Gross premiums written	447	466	(20)	(15)	379	1,257
Gross premiums earned	447	466	(20)	(15)	379	1,257
Gross claims incurred	240	4	416	4,233	109	5,002
Gross operating expenses	1,057	(439)	240	(25,619)	(164)	(24,925)
Gross technical result	1,744	31	636	(21,401)	324	(18,666)
Reinsurance balance	1,599	(1,419)	124	(3,928)	(841)	(4,465)
	3,343	(1,388)	760	(25,329)	(517)	(23,131)
Allocated investment return						3,210
Balance on technical account						(19,921)

Notes to the Financial Statements (continued)
at 31 December 2009

2. Segmental information (continued)

The geographical analysis of premiums by situs of risk is as follows

	2009	*2008*
	£	*£*
UK	(484)	25
Other EU countries	(72)	234
US	476	717
Other	48	281
	(32)	1,257

3. Investment income

	2009	*2008*
	£'000	*£'000*
Investment income	892	2,881
Unrealised gains on investments	(126)	344
Investment expenses	(17)	(15)
Allocated to technical account	(749)	(3,210)
	-	-

4. Prior years' claims provisions

The provisions for claims included in the balance sheet at the end of the last year when compared with net payments and provisions at the end of the year show an over provision as follows

	2009	*2008*
	£'000	*£'000*
Discontinued operations	34,459	922

5. Operating expenses

	2009	*2008*
	£'000	*£'000*
Acquisition costs	344	519
Administrative expenses	365	-
Foreign exchange adjustment	(9,301)	24,406
	(8,592)	24,925

Auditors' remuneration amounts to £20,000 (2008 - £9,000) and relates solely to the audit of the financial statements The fee will be met by the company's former ultimate holding company

Notes to the Financial Statements (continued)
at 31 December 2009

6. Directors' emoluments

There were no directors' emoluments in the year (2008 - £nil)

7. Tax on profit/(loss) on ordinary activities

The tax charge for the year is as follows

	2009 *£'000*	*2008* *£'000*
Consortium relief received	-	(10,590)
Deferred tax charge	5,600	-
Taxation charge/(credit) for the year	5,600	(10,590)

The factors affecting the current tax charge for the year are set out below The credit for taxation in the previous year comprises consortium relief received for prior years

	2009 *£'000*	*2008* *£'000*
Profit/(loss) before taxation	46,563	(19,921)
Profit/(loss) before taxation multiplied by the standard rate of Corporation tax in the UK of 28% (2008 28 5%)	13,037	(5,677)
Syndicate result to be taxed in 2010	(10,433)	-
Non-taxable foreign exchange gain	(2,604)	-
Declared syndicate result	1,642	-
Deferred tax asset not recognised	-	5,677
Utilisation of losses from previous years	(1,642)	-
Consortium relief received	-	(10,590)
Current tax charge/(credit) for the year	-	(10,590)

The tax charge arises from 2009 underwriting profits of the syndicate in which the company participates These profits are treated for tax purposes as 2010 income and the liability has been included in the balance sheet as deferred taxation within provisions for other risks and charges

8. Provision for other risks and charges

The movement in the provision for deferred tax is as follows

	2009 *£'000*	*2008* *£'000*
Deferred tax liability at beginning of the year	-	-
Charge for the year	5,600	-
	5,600	-

Notes to the Financial Statements (continued)
at 31 December 2009

8. Provision for other risks and charges (continued)

In June 2010, the UK government announced its intention to propose Parliament reduce the main rate of UK corporation tax from 28% to 24% by 1 April 2014 The Finance (No 2) Act 2010 includes legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011 Further reductions to the main rate are proposed to reduce the rate by 1% per year to 24% by 1 April 2014
These changes had not been substantially enacted by the balance sheet date and, therefore, are not included in these financial statements These changes should have no impact on the recognised deferred tax liability as at 31 December 2009

9. Investments

	2009 *£'000*	*2008* *£'000*
Listed securities		
Shares and other variable yield securities	32,122	15,772
Debt securities and other fixed income securities	21,037	24,864
Participation in investment pools	-	8,695
Market value	53,159	49,331
Cost	53,343	48,870

10. Other debtors

	2009 *£'000*	*2008* *£'000*
Other syndicate debtors due within one year	61	95
Other syndicate debtors due after one year	6,179	5,554
	6,240	5,649

11. Prepayments and accrued income

	2009 *£'000*	*2008* *£'000*
Syndicate accrued income	839	1,012

Notes to the Financial Statements (continued)
at 31 December 2009

12. Share capital

	Authorised 2009 No	*Allotted, called up, fully paid* 2009 £	*Authorised* 2008 No.	*Allotted, called up, fully paid* 2008 £
Ordinary shares of 0 1 pence each	1,000,000	1	1,000,000	1

13. Reconciliation of shareholders' funds and movements on reserves

	Share Capital £	*Profit and Loss Account* £'000	*Total* £'000
At 1 January 2008	1	(296,903)	(296,903)
Loss for the year	-	(9,331)	(9,331)
At 31 December 2008	1	(306,234)	(306,234)
Profit for the year	-	40,963	40,963
At 31 December 2009	1	(265,271)	(265,271)

14. Other Creditors

	2009 £'000	*2008* £'000
Other creditors falling due within one year		
Amounts owed to the Corporation of Lloyd's	161,523	133,498
Amounts owed to former group companies	66,311	66,311
Other syndicate creditors	96	9,509
Other	1,794	1,814
	229,724	211,132

The amount owed to the Corporation of Lloyd's represents the amounts drawn down from the New Central Fund to pay the company's underwriting losses in accordance with the undertakings of the Council of Lloyd's referred to in Note 1 above

Notes to the Financial Statements (continued)
at 31 December 2009

15. Accruals and deferred income

	2009 £'000	2008 £'000
Syndicate accruals	610	608

16. Statement of cashflows

a) Reconciliation of operating profits to net cash in flow from operating activities

	2009 £'000	2008 £'000
Profit/(loss) before tax on ordinary activities	46,563	(19,921)
Realised and unrealised changes in market value and currencies	7,176	(13,995)
Change in technical provisions	(69,356)	18,927
Movement in debtors and creditors	23,256	(9,577)
	7,639	(24,566)

b) Movement in opening and closing portfolio investments net of financing

	2009 £'000	2008 £'000
Net cash outflow for year	(2,919)	(611)
Cash flow – portfolio investments	10,558	(13,365)
Movement arising from cash flows	7,639	(13,976)
Changes in market value and currencies	(7,176)	13,994
Total movement in portfolio investments	463	18
Portfolio at 1 January	60,188	60,170
Portfolio at 31 December	60,651	60,188

Notes to the Financial Statements (continued)
at 31 December 2009

16. Statement of cashflows (continued)

c) Movement in cash and portfolio investments

	At 1 January 2009 £'000	*Cash Flow £'000*	*Changes to market value & currencies £'000*	*At 31 December 2009 £'000*
Cash at bank and in hand	10,857	(2,919)	(446)	7,492
Portfolio investments Shares and other variable yield securities and unites in unit trusts	15,773	17,447	(1,097)	32,123
Debt securities and other fixed income securities	33,558	(6,889)	(5,633)	21,036
	60,188	7,639	(7,176)	60,651

17. Parent undertaking and controlling party

In February 2005 GoshawK Capital Limited sold its interest in the company to a third party consortium No member of the consortium owns a controlling interest in the company

18. Related party transactions

The consortium relief in 2008 was received from the company's shareholders There are no other related party transactions to be reported

19. Ultimate cost of closure of syndicate

The Syndicate in which the company participates ceased underwriting at the end of the 2003 underwriting year As a result the 2001, 2002 and 2003 underwriting years remain open The risk premium element of the ultimate cost of closure by reinsurance to close to a third party, which has not been accrued in these financial statements, is materially uncertain The ultimate outcome of this matter cannot presently be determined and may give rise to a significant adjustment to the profit and loss account in future accounting periods