

CBS Underwriting Holdings PLC

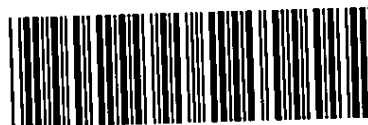
Report and Financial Statements

CBS Underwriting Holdings PLC

Registered Number 4258784

31 December 2006

TUESDAY



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COMPANIES HOUSE

CBS Underwriting Holdings PLC

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CBS Underwriting Holdings PLC

Report of the Directors

The directors present their report and financial statements for the year ended 31 December 2006

Review of the Business and Future Developments

The principal activity of CBS Underwriting Holdings PLC is that of a holding company for CBS Underwriting 2002 PLC, a Lloyd's Corporate Member

The holders of the company's profit shares, together with an offshore reinsurance vehicle, have the right to receive 40% of the net underwriting profit of CBS Underwriting 2002 PLC, see note 8

The company's subsidiary underwrote £85 million in 2005, but ceased underwriting for 2006

Results and Dividends

The result for the year and the state of the company's affairs as at 31 December 2006 are shown in the financial statements

Directors

The following have served as directors during the period from 1 January 2006 to the date of this report

AS Castell	(resigned 29 June 2007)
DJ Ewart	
CAA Harbord-Hamond	
AJ Sparrow	(resigned 10 April 2007)

Directors' Interests

No director has had an interest in the ordinary share capital of the company. Their interest in the redeemable profit shares is noted below. Their interests in CBS Insurance Holdings PLC are disclosed in the directors' report of that company of which they are also directors

	Redeemable profit shares	
	2004, 5 at 31.12.06	2003, 4, 5 at 31.12.05
DJ Ewart	100	100
CAA Harbord-Hamond	15	15
AJ Sparrow	5	5

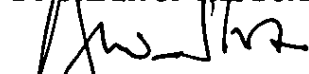
The interest of CAA Harbord-Hamond includes that of his wife Mrs EL Royds

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

BY ORDER OF THE BOARD



AS Fox, Secretary
Unit 25, Jack's Place
6 Corbet Place
London E1 6NN
10 September 2007

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.

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.

Independent auditor's report to the members of CBS Underwriting Holdings PLC

We have audited the financial statements of CBS Underwriting Holdings PLC for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses 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.

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 2006 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 Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

10 September 2007

CBS Underwriting Holdings PLC

Profit and Loss Account for the year ended 31 December 2006

	Note	12 months to 31.12.06 £	Restated 12 months to 31.12.05 £
Turnover			-
Administrative expenses		(16,735)	(17,086)
OPERATING LOSS	3	(16,735)	(17,086)
Increase in profit share redemption charge		(1,065,375)	(1,932,974)
Income from group undertaking			1,747,859
Interest receivable		-	1
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,082,110)	(202,200)
Taxation on profit/(loss) on ordinary activities	5	5,036	5,141
RETAINED PROFIT/(LOSS) FOR THE YEAR	11	(1,077,074)	(197,059)

All of the company's activities are in respect of continuing operations

Statement of Total Recognised Gains and Losses

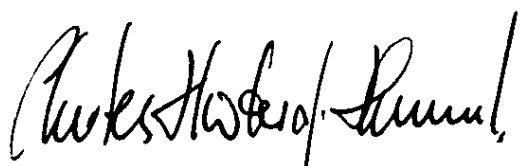
	Note	12 months to 31.12.06 £	12 months to 31.12.05 £
Profit/(Loss) for the financial year (as reported)		(1,077,074)	(197,059)
Total recognised gains and losses relating to the year		(1,077,074)	(197,059)
Prior year adjustment	2	(1,933,906)	
Total gains and losses recognised since last financial statements		(3,010,980)	

CBS Underwriting Holdings PLC

Balance Sheet as at 31 December 2006

	Note	31.12.06 £	Restated 31.12.05 £
FIXED ASSETS			
Investments	6	<u>4,729,695</u>	<u>4,729,695</u>
		4,729,695	4,729,695
CURRENT ASSETS			
Debtors	7	5,944,014	5,938,977
Cash at bank		<u>17</u>	<u>46</u>
		5,944,031	5,939,023
CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR	8	<u>(7,060,124)</u>	<u>(4,327,836)</u>
NET CURRENT ASSETS		<u>(1,116,093)</u>	<u>1,611,187</u>
CREDITORS – AMOUNTS FALLING DUE AFTER ONE YEAR	8	(51)	(102)
PROVISIONS	9	(1,749,017)	(3,399,172)
NET ASSETS		<u>1,864,534</u>	<u>2,941,608</u>
CAPITAL AND RESERVES			
Called up share capital	10	59,674	59,674
Share premium	11	4,670,023	4,670,023
Profit and loss account	11	(2,865,163)	(1,788,089)
SHAREHOLDERS' FUNDS	12	<u>1,864,534</u>	<u>2,941,608</u>

Approved by the board on 10 September 2007 and signed on its behalf by



CAA Harbord-Hamond
Director

Notes to the Financial Statements for the year ended 31 December 2006

1. Accounting Policies

- a) The financial statements are prepared under the historical cost convention and in accordance with applicable Financial Reporting Standards and Statements of Standard Accounting Practice
- b) Dividends are accounted for on a declared basis
- c) Investment income is dealt with on an accruals basis
- d) Other income and expenses are dealt with on an accruals basis
- e) Group accounts have not been prepared because the company is an intermediate parent company. The results of the company and its subsidiaries have been consolidated into the accounts of the ultimate parent company, CBS Insurance Holdings PLC
- f) CBS Insurance Holdings PLC owns 100% of the company's voting rights, therefore the company has taken advantage of the exemption from the related party disclosure requirements given in Financial Reporting Standard 8
- g) The company has relied on the exemption given in Financial Reporting Standard 1 (Revised) not to prepare a cashflow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements
- h) 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
- i) Amounts due in respect of redeemable profit shares (see note 8) are provided for in each calendar year. On redemption in the year after the closure of the 2003, 2004 and 2005 years of account the provision is released

2. Prior Year Adjustment

The comparative figures in respect of the year ended 31 December 2005 have been restated to include omitted provisions for the 2003 profit share redemption of £1,272,947 and for the 2004 profit share redemption of £660,959

3. Operating Loss

Operating loss is stated after charging

	12 months to 31.12.06	12 months to 31.12.05
	£	£
Auditor's remuneration - audit fee	6,050	5,500
- non audit services	1,500	1,500
	<u>7,550</u>	<u>7,000</u>

4. Directors' Emoluments

The directors did not receive any remuneration in respect of the work performed for the company during the year

Notes to the Financial Statements for the year ended 31 December 2006 (continued)

5. Taxation

	12 months to 31.12 06 £	12 months to 31.12 05 £
i) Analysis of tax charge in the year		
UK Corporation tax at 30%	5,036	5,141
	<u>5,036</u>	<u>5,141</u>
ii) Factors affecting tax charge for the period		
Profit/(Loss) on ordinary activities before tax	(1,082,110)	(202,200)
Current tax at 30%	324,633	60,660
Effects of Expenses not deductible for tax purposes	(319,597)	(55,519)
Total current tax	<u>5,036</u>	<u>5,141</u>

6. Fixed Asset Investments

Shares in subsidiary undertaking at cost	£
At 1 January 2006 and 31 December 2006	<u>4,729,695</u>

The subsidiary company listed below was registered in England and Wales at 31 December 2006. The investment is unlisted.

Name	Business	Percentage Owned	Shares
CBS Underwriting 2002 PLC	Lloyd's Corporate Member	100%	Ordinary

In the opinion of the directors the value of the fixed asset investments in the Group undertaking is not less than the amount at which it is included in the accounts.

7. Debtors

	31.12 06 £	31.12.05 £
Amounts owed by group undertakings	5,933,837	5,933,836
Corporation tax	10,177	5,141
	<u>5,944,014</u>	<u>5,938,977</u>

Notes to the Financial Statements for the year ended 31 December 2006 (continued)

8. Creditors

	31.12.06 £	31.12.05 £
Amounts falling due within one year		
Amounts owed to group undertakings	7,051,023	4,320,785
Accruals & deferred income	9,050	7,000
5,062 redeemable profit shares 2003 of 1p each	-	51
5,062 redeemable profit shares 2004 of 1p each	51	-
	<u>7,060,124</u>	<u>4,327,836</u>
Amounts falling due after more than one year		
5,062 redeemable profit shares 2004 of 1p each	-	51
5,062 redeemable profit shares 2005 of 1p each	51	51
	<u>51</u>	<u>102</u>
 Redeemable Profit Shares	 31.12.06 £	 31.12.05 £
Authorised		
25,000 redeemable profit shares 2003 of 1p each	-	250
25,000 redeemable profit shares 2004 of 1p each	250	250
25,000 redeemable profit shares 2005 of 1p each	250	250
	<u>500</u>	<u>750</u>
Issued and fully paid		
5,062 redeemable profit shares 2003 of 1p each	-	51
5,062 redeemable profit shares 2004 of 1p each	51	51
5,062 redeemable profit shares 2005 of 1p each	51	51
	<u>102</u>	<u>153</u>

The redeemable profit shares 2003, 2004 and 2005, which are non-equity shares, carry the right, together with an offshore reinsurance vehicle, to 40% of the underwriting result for the 2003, 2004 and 2005 years of account, respectively, of the company's subsidiary CBS Underwriting 2002 PLC. The underwriting result is calculated after deducting the cost of reinsurance, letters of credit and a management charge from the group. On a winding up, the shares carry the right to the payment of any arrears of dividends and redemption proceeds in front of any distribution to ordinary shareholders. The shares are redeemable at par and confer no right to attend or vote at general meetings. The redeemable profit shares have been reclassified as a liability.

Notes to the Financial Statements for the year ended 31 December 2006 (continued)

9. Provisions

	2002 Profit Share Redemption £	Restated 2003 Profit Share Redemption £	Restated 2004 Profit Share Redemption £	Restated Total £
At 1 January 2005	1,526,859	1,465,266	-	2,992,125
Charge for year	-	1,272,947	660,959	1,933,906
2002 profit share redemption	(1,525,927)	-	-	(1,525,927)
Release of accrual	(932)	-	-	(932)
	<u>-</u>	<u>2,738,213</u>	<u>660,959</u>	<u>3,399,172</u>
At 1 January 2006		2,738,213	660,959	3,399,172
Charge for year		-	1,088,058	1,088,058
2003 profit share redemption		(2,715,530)	-	(2,715,530)
Release of accrual		(22,683)	-	(22,683)
At 31 December 2006		<u>-</u>	<u>1,749,017</u>	<u>1,749,017</u>

The provision reflects future obligations payable to the redeemable profit shareholders, whose entitlement is shown in note 8. The 2004 profit shares were redeemed in July 2007.

10. Share Capital

	31.12.06 £	31.12.05 £
Authorised		
9,900,000 ordinary shares of 1p each	<u>99,000</u>	<u>99,000</u>
	<u>99,000</u>	<u>99,000</u>
	31.12.06	31.12.05
	£	£
Issued and fully paid		
4,717,395 ordinary shares of 1p each	47,174	47,174
Issued and part paid		
4,999,800 ordinary shares of 1p each (0.25p paid)	12,500	12,500
	<u>59,674</u>	<u>59,674</u>

The ordinary shares confer the right to participate in other dividends of the company not covered by the redeemable profit shares (classified as non-equity shares as shown in note 8), attend and vote at general meetings and on a winding up to participate in the surplus assets of the company.

Notes to the Financial Statements for the year ended 31 December 2006 (continued)

11. Reserves

	Share Premium £	Restated Profit & Loss Account £	Restated Total £
At 1 January 2006, as previously stated	4,670,023	145,817	4,815,840
Prior year adjustment	-	(1,933,906)	(1,933,906)
At 1 January 2006, restated	<u>4,670,023</u>	<u>(1,788,089)</u>	<u>2,881,934</u>
At 1 January 2006	4,670,023	(1,788,089)	2,881,934
Loss for the year	-	(1,077,074)	(1,077,074)
At 31 December 2006	<u>4,670,023</u>	<u>(2,865,163)</u>	<u>1,804,860</u>

12. Reconciliation of Movements in Shareholders' Funds

	31.12.06 £	31.12.05 £
Opening Shareholders' Funds, as previously stated	4,875,514	6,130,996
Reclassification of redeemable profit shares	-	(1,268,204)
Profit/(Loss) for the year	(1,077,074)	1,538,649
Dividends	-	(1,525,927)
Prior year adjustment	(1,933,906)	-
Closing Shareholders' Funds	<u>1,864,534</u>	<u>4,875,514</u>

The total of shareholder's funds comprises

	31.12.06 £	31.12.05 £
Equity Interests – ordinary shares	<u>1,864,534</u>	<u>4,875,514</u>
	<u>1,864,534</u>	<u>4,875,514</u>

13. Contingent Liabilities

The company is party to a guarantee given to CBS Underwriting 2001 Ltd and CBS Underwriting 2002 PLC, fellow subsidiaries of CBS Insurance Holdings PLC, and Arch (2004) Ltd, a former subsidiary of CBS Insurance Holdings PLC, in respect of the letters of credit supporting their Funds at Lloyd's

14. Ultimate Parent Undertaking

The company is a subsidiary of CBS Insurance Holdings PLC, a company registered in England & Wales. The company's results are consolidated in the group accounts of CBS Insurance Holdings PLC, copies of which are available at Unit 25, Jack's Place, 6 Corbet Place, London E1 6NN

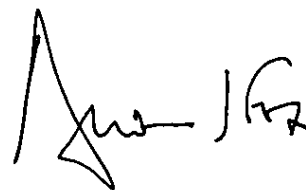
NOTICE IS HEREBY GIVEN THAT THE SIXTH ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD AT TRINITY HOUSE ON 18 OCTOBER AT 4 45 PM

The business of the meeting will be

- 1 To receive and adopt the Directors' Report and the Audited Financial Statements for the year ended 31 December 2006
- 2 To re-appoint KPMG Audit Plc as auditor of the company and to authorise the directors to fix their remuneration

Dated this 10 September 2007
BY ORDER OF THE BOARD

Unit 25, Jack's Place
6 Corbet Place
London
E1 6NN



AS Fox
SECRETARY

Notes The two members, Aequanimiter Ltd and CBS Underwriting Holdings Plc, entitled to attend and vote are entitled to appoint a proxy to attend on a poll vote in their place. Such proxies need not be a member of the company.