

**CBS UNDERWRITING HOLDINGS LTD**

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**Report and Financial Statements**

**CBS Underwriting Holdings Limited**

**Registered Number: 4258784**

**31 December 2008**

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## **CBS UNDERWRITING HOLDINGS LTD**

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## **CBS UNDERWRITING HOLDINGS LTD**

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### **Report of the Directors**

The directors present their report and financial statements for the year ended 31 December 2008.

### **Review of the Business and Future Developments**

The principal activity of CBS Underwriting Holdings Ltd was that of a holding company for CBS Underwriting 2002 Ltd, a Lloyd's Corporate Member. The former subsidiary was sold at book value on 10 December 2008 to CBS Insurance Holdings Ltd, the ultimate parent company.

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

The company's former subsidiary underwrote £85 million in 2005, but ceased underwriting for 2006. Now that 2005 underwriting profit has been distributed the company will be wound up.

### **Results and Dividends**

The result for the year and the state of the company's affairs as at 31 December 2008 are shown in the financial statements.

Interim dividends of £8,750,000 and £264,000 were paid to CBS Insurance Holdings Ltd during the year (2007: £7,000,000). A final dividend is not recommended.

### **Management of Financial Risk**

The company is exposed to financial risk through its financial assets. The best possible interest rates on its funds are obtained from clearing banks and assets held in US and Canadian dollars are sold, when required, at the most advantageous rates available at the time of sale.

### **Directors**

The following have served as directors during the period from 1 January 2008 to the date of this report.

DJ Ewart  
CAA Harbord-Hamond

### **Re-Registration**

On 16 February 2009 the company, was re-registered as a private company.

### **Directors' Interest**

No director has had an interest in the share capital of the company.

### **Statement of disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## CBS UNDERWRITING HOLDINGS LTD

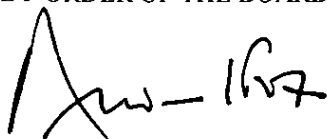
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### Report of the Directors (continued)

#### 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

A handwritten signature in black ink, appearing to read 'AS Fox', written over the printed name.

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

23 June 2009

**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. 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 CBS Underwriting Holdings Ltd**

We have audited the financial statements of CBS Underwriting Holdings Ltd for the year ended 31 December 2008 which comprise the Profit and Loss Account, 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 3.

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 2008 and of its profit 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  
8 Salisbury Square  
London  
EC4Y 8BB

23 June 2009

**CBS UNDERWRITING HOLDINGS LTD****Profit and Loss Account for the year ended 31 December 2008**

	Note	12 months to 31.12.08 £	12 months to 31.12.07 £
Turnover		-	-
Administrative expenses		(2,880)	(9,534)
OPERATING LOSS	2	(2,880)	(9,534)
Profit share redemption credit/(charge)		5,212	(718,256)
Income from group undertaking		7,240,000	12,365,340
Interest receivable		-	1
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		7,242,332	11,637,550
Tax Credit on profit on ordinary activities	4	835	2,875
RETAINED PROFIT FOR THE YEAR	10	7,243,167	11,640,425

All of the company's activities are in respect of discontinued operations.

All recognised gains and losses are included in the profit and loss account above, hence no Statement of Total Recognised Gains and Losses has been provided.

The notes on pages 7 to 11 form part of these financial statements.

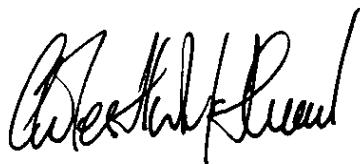
# CBS UNDERWRITING HOLDINGS LTD

## Balance Sheet as at 31 December 2008

	Note	31.12.08 £	31.12.07 £
<b>FIXED ASSETS</b>			
Investment	5	-	4,729,695
		-	4,729,695
<b>CURRENT ASSETS</b>			
Debtors	6	4,740,308	2,535,358
Cash at bank and in hand		18	18
		4,740,326	2,535,376
<b>CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	7	(6,200)	(9,101)
<b>NET CURRENT ASSETS</b>		4,734,126	2,526,275
<b>PROVISIONS</b>	8	-	(751,011)
<b>NET ASSETS</b>		4,734,126	6,504,959
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	59,674	59,674
Share premium	10	4,670,023	4,670,023
Profit and loss account	10	4,429	1,775,262
<b>SHAREHOLDERS' FUNDS</b>	11	4,734,126	6,504,959

The notes on pages 7 to 11 form part of these financial statements.

Approved by the board of directors on 23 June 2009 and signed on its behalf by



CAA Harbord-Hamond  
Director



## CBS UNDERWRITING HOLDINGS LTD

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### Notes to the Financial Statements for the year ended 31 December 2008

#### 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.

##### Basis of Preparation

As the directors intend to wind up the company's affairs now that results of 2005 underwriting have been received and distributed this year's accounts have been prepared on a break up basis. There was no material impact on the financial statements as a result of the change of basis.

- 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 Ltd.
- f) CBS Insurance Holdings Ltd 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. Operating Loss

Operating loss is stated after charging:

	2008	2007
	£	£
Auditor's remuneration - audit fee	2,327	6,050
Auditor's remuneration - other services relating to taxation	<u>200</u>	<u>3,000</u>

#### 3. Directors' Emoluments

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

# CBS UNDERWRITING HOLDINGS LTD

## Notes to the Financial Statements for the year ended 31 December 2008 (continued)

### 4. Taxation

	2008 £	2007 £
i) Analysis of tax charge in the year		
UK Corporation tax at 28.5% (2007 – 30%)	835	2,875
	<u>835</u>	<u>2,875</u>
ii) Factors affecting tax charge for the period		
Profit on ordinary activities before tax	7,242,332	11,637,550
Tax (charge) at 28.5% (2007 – 30%)	(2,064,065)	(3,491,265)
Effects of:		
Dividend income not subject to tax	2,064,900	3,494,140
Tax credit	<u>835</u>	<u>2,875</u>

### 5. Fixed Asset Investments

	£
Shares in subsidiary undertaking at cost:	
At 1 January 2008	4,729,695
Disposal	(4,729,695)
At 31 December 2008	<u>-</u>

The former subsidiary company listed below was registered in England and Wales at 31 December 2008. The investment was unlisted. It was sold at book value to CBS Insurance Holdings Ltd, the ultimate parent company.

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

### 6. Debtors

	2008 £	2007 £
Amounts owed by group undertakings	4,739,473	2,522,306
Corporation tax	835	13,052
	<u>4,740,308</u>	<u>2,535,358</u>

# CBS UNDERWRITING HOLDINGS LTD

## Notes to the Financial Statements for the year ended 31 December 2008 (continued)

### 7. Creditors

	2008 £	2007 £
Amounts falling due within one year:		
Accruals & deferred income	6,200	9,050
5,062 redeemable profit shares 2005 of 1p each	-	51
	<u>6,200</u>	<u>9,101</u>
 Redeemable Profit Shares	 2008 £	 2007 £
Authorised:		
25,000 redeemable profit shares 2005 of 1p each	-	250
	<u>-</u>	<u>250</u>
 Issued and fully paid:		
5,062 redeemable profit shares 2005 of 1p each	-	51
	<u>-</u>	<u>51</u>

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

### 8. Provisions

	2004 Profit Share Redemption £	2005 Profit Share Redemption £	Total £
At 1 January 2008	25,800	725,211	751,011
Charge for year	-	-	-
Profit share redemption	(25,800)	(719,999)	(745,799)
Release of accrual		(5,212)	(5,212)
At 31 December 2008	<u>-</u>	<u>-</u>	<u>-</u>

The provision reflects future obligations payable to the redeemable profit shareholders, whose entitlement is shown in note 7. The 2005 profit shares were redeemed in July 2008.

# CBS UNDERWRITING HOLDINGS LTD

## Notes to the Financial Statements for the year ended 31 December 2008 (continued)

### 9. Share Capital

	2008 £	2007 £
<b>AUTHORISED</b>		
9,900,000 ordinary shares of 1p each	99,000	99,000
	<u>99,000</u>	<u>99,000</u>
<b>ISSUED AND FULLY PAID</b>		
4,717,395 ordinary shares of 1p each	47,174	47,174
<b>ISSUED AND PART PAID</b>		
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 7), attend and vote at general meetings and on a winding up to participate in the surplus assets of the company.

### 10. Reserves

	Share Premium £	Profit & Loss Account £	Total £
At 1 January 2008	4,670,023	1,775,262	6,445,285
Profit for the year	-	7,243,167	7,243,167
Dividends	-	(9,014,000)	(9,014,000)
At 31 December 2008	<u>4,670,023</u>	<u>4,429</u>	<u>4,674,452</u>

### 11. Reconciliation of Movements in Shareholders' Funds

	2008 £	2007 £
Opening Shareholders' Funds	6,504,959	1,864,534
Profit for the year	7,243,167	11,640,425
Dividends	(9,014,000)	(7,000,000)
Closing Shareholders' Funds	<u>4,734,126</u>	<u>6,504,959</u>

The total of shareholder's funds comprises:

	2008 £	2007 £
Equity Interests - ordinary shares	4,734,126	6,504,959
	<u>4,734,126</u>	<u>6,504,959</u>

**Notes to the Financial Statements for the year ended 31 December 2008 (continued)**

**12. Ultimate Parent Undertaking**

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