

Arch Holdings Limited

**Directors' report and financial
statements**

Registered number 5149490

30 June 2006

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2006.

Business review

The principal activity of the company is to hold investments and it has not traded other than in this capacity since its incorporation.

Dividends

The directors do not recommend the payment of a dividend (2005: £nil).

Directors and directors' interests

The directors who held office during the year were as follows:

AS Castell
R Hedden
LM Hyman
MRM Jenner

The Articles of Association of the company do not require the directors to retire by rotation.

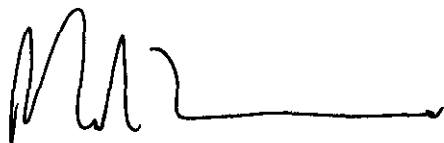
The directors do not have service contracts nor do they receive any emoluments from the company.

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



MRM Jenner
Secretary

Registered office
Freshwater House
158-162 Shaftesbury Avenue
London WC2H 8HR

18 December 2006

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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.

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.

In note 1 to the financial statements, the directors explain why group accounts have not been prepared.



KPMG Audit Plc

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Independent Auditor's Report to the Members of Arch Holdings Limited

We have audited the financial statements of Arch Holdings Limited for the year ended 31 March 2006 which comprise 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

As described in the Statement of Directors' Responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent Auditor's Report to the Members of Arch Holdings Limited (*continued*)

Opinions

Unqualified opinion on view given by company financial statements

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2005 and of its result for the period from 9 June 2004 (the date of incorporation) to 30 June 2006.

Qualified opinion arising from absence of group accounts

As stated in note 1 to the financial statements, group accounts, as required by the Companies Act 1985 and Financial Reporting Standard 2: *Accounting for subsidiary undertakings*, have not been prepared. In all other respects, in our opinion, the financial statements have been properly prepared in accordance with the Companies Act 1985.



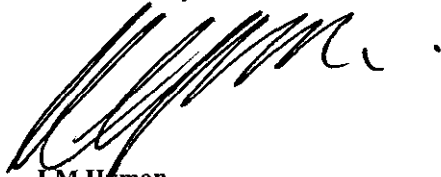
KPMG Audit Plc
Chartered Accountants
Registered Auditor

18 December 2006

Balance sheet
at 31 March 2006

	<i>Note</i>	2006 £	2005 £
Fixed Assets			
Investments	2	1	1
Current assets			
Debtors	3	99	99
		<hr/>	<hr/>
Net assets		100	100
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	4	100	100
		<hr/>	<hr/>
Equity shareholders' funds		100	100
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 18 December 2006 and were signed on its behalf by:


LM Hyman
Director

Profit and loss account
For the year ended 30 June 2006

During the period the company received no income and incurred no expenditure. Consequently, the company made neither a profit nor a loss and therefore a profit and loss account has not been prepared. The company has no other recognised gains or losses.

Notes
(forming part of the financial statements)

1 Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, except as noted below as regards FRS 2, and under the historical cost convention

Cashflow statement

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a small company for the purposes of filing accounts.

Related party transactions

The company has taken advantage of the exemption in FRS 8 Related Party Disclosures in order to dispense with the requirement to disclose transactions with other Daejan Holdings Plc group companies.

Preparation of group accounts

Consolidated financial statements have not been prepared as the assets and liabilities of the company's subsidiary undertaking are fully underwritten and charged to the subsidiary undertaking's previous parent entity, CBS Insurance Holdings Plc. Consequently the directors do not consider that it is necessary to consider those assets and liabilities when determining the performance and position of the Group. This represents a departure from Financial Reporting Standard 2 and the Companies Act 1985, which require consolidated financial statements to be prepared. As a consequence, these financial statements present the state of affairs and result for the Company only.

2 Fixed asset investments

Cost	£
1 July 2005 and 30 June 2006	1

Fixed asset investments comprise the issued share capital of Arch (2004) Limited, a wholly owned subsidiary registered in England and Wales.

The company has not prepared Group accounts and therefore these financial statements present information about Arch Holdings Limited as an individual undertaking and not about its Group.

3 Debtors

	2006	2005
	£	£
Amounts owed by parent undertaking	99	99

Notes

(forming part of the financial statements)

4 Called up share capital

	2006	2005
	£	£
<i>Authorised</i>		
2 ordinary 'A' shares at £0.01 each	-	-
7,499 ordinary 'B' shares at £0.01 each	75	75
2,499 ordinary 'C' shares at £0.01 each	25	25
	<hr/>	<hr/>
	100	100
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Ordinary 'A' shares	-	-
Ordinary 'B' shares	75	75
Ordinary 'C' shares	25	25
	<hr/>	<hr/>
	100	100
	<hr/>	<hr/>
Voting rights are allotted to each class of shares as follows:		
Ordinary 'A' shares	25.01%	25.01%
Ordinary 'B' shares	50.00%	50.00%
Ordinary 'C' shares	24.99%	24.99%
In all other respects the shares rank equally.		

5 Ultimate holding company and parent undertaking of larger group of which the company is a member

The company's ultimate holding company is Daejan Holdings PLC, which is incorporated in Great Britain and registered in England and Wales.