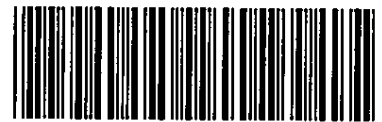


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WIESCO LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2006**

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WIESCO LIMITED

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WIESCO LIMITED

DIRECTORS AND ADVISERS

Directors

C H Wiese
C Wiese

Company Secretary

Argenta Secretariat Limited

Registered Office

Fountain House
130 Fenchurch Street
London
EC3M 5DJ

Bankers

Butterfield Private Bank
99 Gresham Street
London
EC2V 7NG

Auditors

CLB Littlejohn Frazer
Chartered Accountants
and Registered Auditors
1 Park Place
Canary Wharf
London E14 4HJ

The Directors have pleasure in presenting their Report together with the Financial Statements for the year ended 31 December 2006

Results and Dividends

The results for the period are set out on pages 8 and 9 of the financial statements. The Directors do not recommend the payment of a dividend.

Review of the Business

The principal activity of the Company in the period under review was that of a corporate underwriting member of Lloyd's. The Company commenced underwriting with effect from 1 January 1999.

The Financial Statements incorporate the annual accounting results of the syndicates on which the Company participates for the 2004, 2005 and 2006 years of account, as well as any 2003 and prior run-off years.

The annual accounting technical result for the year is a profit of £2,081,001 (2005 – loss £679,619). The lack of any hurricane or other major catastrophe activity in 2006 has resulted in the company recording a strong annual accounting result compared to 2005, which was adversely affected by the unprecedented hurricane losses of that year.

The 2004 year closed at 31 December 2006 with a profit, net of any calendar year run-off movements of £871,522 (2003 profit - £1,586,124). The 2005 and 2006 open underwriting account will normally close at 31 December 2007 and 2008.

As detailed in note 21, certain syndicates on which the Company participates have for a variety of reasons been unable to close. There is a greater than usual degree of uncertainty as to the eventual outcome of these accounts.

Future Developments

The Company continues to write insurance business in the Lloyd's insurance market as a corporate underwriting member of Lloyd's. The capacity being underwritten on the 2007 year of account is £9,982,599, a decrease of £1,094,431 compared to the 2006 year of account.

Key Performance Indicators

The Directors consider the following to be the key performance indicators of the Company.

	2006	2005	Change
Capacity (youngest underwriting year)	£11,077,000	£9,701,000	+14.2%
Annually accounted profit after tax	£30,283	£(500,016)	n/a
Underwriting profit of latest closed year	£871,522	£1,586,124	-45.0%
as a % of capacity	9.7%	19.8%	-51.0%

Other Performance Indicators

As a result of the nature of this Company as a Lloyd's Corporate Member, the majority of its activities are carried out by the Syndicates in which it participates. The company is not involved directly in the management of the Syndicate's activities, including employment of Syndicate staff, as these are the responsibility of the relevant Managing Agent. Each Managing Agent will also have responsibility for the environmental activities of each Syndicate, although by their nature insurers do not produce significant environmental emissions. As a result, the Directors of the Company do not consider it appropriate to monitor and report any performance indicators in relation to staff or environmental matters.

Risk Management

As a corporate member of Lloyd's the majority of the risks to this company's future cash flows arise from its participation in the results of Lloyd's syndicates. As detailed below, these risks are mostly managed by the Managing Agent of the syndicate. This company's role in managing this risk in conjunction with its Members' Agent is limited to selection of syndicate participations and monitoring performance of the syndicates. The Company seeks to achieve a balance of risk and reward in the portfolio of syndicates it chooses to support.

Syndicate risks

The trading activities of a syndicate expose it to a variety of financial and non-financial risks. The Managing Agent is responsible for managing the syndicate's exposure to these risks and, where possible, introducing controls and procedures that mitigate the effects of the exposure to risk. Each year, the Managing Agent prepares an Individual Capital Assessment (ICA) for the syndicate, the purpose of this being to agree capital requirements with Lloyd's based on an agreed assessment of the risks impacting the syndicate's business, and the measures in place to manage and mitigate those risks from a quantitative and qualitative perspective. The risks described below are typically reflected in the ICA, and typically the majority of the total assessed value of the risks concerned is attributable to Insurance Risk.

The insurance risks faced by a syndicate include the occurrence of catastrophic events, downward pressure on pricing of risks, reductions in business volumes and the risk of inadequate reserving. Reinsurance risks arise from the risk that a reinsurer fails to meet their share of a claim. The management of the syndicate's funds is exposed to risks of investment, liquidity, currency and interest rates leading to financial loss. The syndicate is also exposed to regulatory and operational risks including its ability to continue to trade. However, supervision by Lloyd's and the Financial Services Authority provide additional controls over the syndicate's management of risks.

The company manages the risks faced by the syndicates on which it participates in conjunction with its Members' Agent by monitoring the performance of the syndicates it supports. This commences in advance of committing to support a syndicate for the following year, with a review of the business plan prepared for each syndicate by its Managing Agent. In addition quarterly reports and annual accounts together with any other information made available by the Managing Agent are monitored and if necessary enquired into. If the company or Members' Agent considers that the risks being run by the syndicate are excessive it will seek confirmation from the Managing Agent that adequate management of the risk is in place and if considered appropriate will withdraw support from the next underwriting year.

Investment and currency risks

The other significant risks faced by the company are with regard to the investment of the available funds within its own custody. The elements of these risks are investment risk, liquidity risk, currency risk and interest rate risk. To mitigate this, the surplus company funds are invested in the Money Market. The main liquidity risk would arise if a syndicate had inadequate liquid resources for a large claim and sought funds from the company to meet the claim. In order to minimise investment, credit and liquidity risk the company's funds are invested in readily realisable money market deposits.

Regulatory risks

The company is subject to continuing approval by Lloyd's to be a member of a Lloyd's syndicate. The risk of this approval being removed is mitigated by monitoring and fully complying with all requirements in relation to membership of Lloyd's. The capital requirements to support the proposed amount of syndicate capacity for future years are subject to the requirements of Lloyd's. A variety of factors are taken into account by Lloyd's in setting the capital requirements including market conditions and syndicate performance and although the process is intended to be fair and reasonable the requirements can fluctuate from one year to the next, which may constrain the volume of underwriting the company is able to support.

Operational risks

As there are relatively few transactions actually undertaken by the company there are only limited systems and staffing requirements of the company and therefore operational risks are not considered to be significant. Close involvement of all directors in the company's key decision making and the fact that the majority of the company's operations are conducted by syndicates provides control over any remaining operational risks.

Directors

The Director of the Company in office during the year were as follows

C H Wiese

C Wiese

Disclosure of Information to the Auditors

In the case of each of the persons who are Directors at the time this report is approved, the following applies

- (a) So far as the Directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- (a) They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

A resolution to reappoint CLB Littlejohn Frazer will be proposed at the next Annual General Meeting

By Order of the Board


Director

October 2007

Company law requires the Directors 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 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 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies Act 1985. They are 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. The Directors are responsible for ensuring that the Report of the Directors is prepared in accordance with company law in the United Kingdom.

Independent Auditor's report to the shareholders of Wiesco Limited

We have audited the Financial Statements of Wiesco Limited 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, the Cash Flow Statement, the Accounting Policies and the related notes 1 to 23. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's shareholders, 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 shareholders 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 shareholders 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 by the Statement of Directors' Responsibilities, the Company's Directors are responsible for the preparation of 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 whether in our opinion the Report of the Directors 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of 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 United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006 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 Report of the Directors is consistent with the Financial Statements.

CLB Littlejohn Frazer

Chartered Accountants
and Registered Auditors

1 Park Place
Canary Wharf
London E14 4HJ

9 October 2007

WIESCO LIMITED**PROFIT AND LOSS ACCOUNT**
Year ended 31 December 2006**TECHNICAL ACCOUNT - GENERAL BUSINESS**

	Note	2006	2005
Gross Premiums Written	1	11,822,992	10,754,671
Outward reinsurance premiums		(1,942,259)	(1,901,974)
Net Premiums Written		9,880,733	8,852,697
Change in the provision for unearned premiums			
Gross provision		(449,211)	(582,352)
Reinsurers share		118,617	2,040
Earned Premiums, Net of Reinsurance		9,550,139	8,272,385
Allocated Investment Return Transferred from the Non-Technical Account		556,219	337,331
Claims Paid			
Gross amount		(7,240,715)	(5,033,949)
Reinsurers' share		3,064,149	1,482,723
Net claims paid		(4,176,566)	(3,551,226)
Change in Provision for Claims			
Gross amount		2,216,770	(5,960,872)
Reinsurers' share		(2,423,244)	3,073,418
Change in net provision for claims		(206,474)	(2,887,454)
Claims Incurred, Net of Reinsurance		(4,383,040)	(6,438,680)
Net operating expenses	3	(3,642,317)	(2,850,665)
Balance on the Technical Account for General Business		£2,081,001	£(679,619)

All the amounts above relate to continuing operations

The Accounting Policies and Notes on pages 14 to 28 form part of these Financial Statements

WIESCO LIMITED**PROFIT AND LOSS ACCOUNT**
Year ended 31 December 2006**NON-TECHNICAL ACCOUNT**

	Notes	2006	2005
Balance on the General Business Technical Account		2,081,001	(679,619)
Investment income	4	603,005	445,353
Unrealised gains on investments		158,760	156,230
Investment expenses and charges	5	(47,697)	(53,429)
Unrealised losses on investments		(16,464)	(69,393)
Allocated investment return transferred to the general business technical account		(556,219)	(337,331)
Other income		612,078	-
Other charges		(2,860,351)	(149,177)
Profit/(Loss) on Ordinary Activities before Taxation	6	(25,887)	(687,366)
Tax on profit/(loss) on ordinary activities	7	56,170	187,350
Profit/(Loss) on Ordinary Activities after Taxation	14	£30,283	£(500,016)

All operations are continuing

The Accounting Policies and Notes on pages 14 to 28 form part of these Financial Statements

WIESCO LIMITED
**BALANCE SHEET
As at 31 December 2006**

		2006		2005			
	Note	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Assets							
Intangible Assets	8	-	43,179	43,179	-	99,307	99,307
Investments							
Financial Investments	9	10,559,067	405,636	10,964,703	9,680,640	305,605	9,986,245
Deposits with ceding Undertakings		12,763	-	12,763	10,382	-	10,382
		<u>10,571,830</u>	<u>405,636</u>	<u>10,977,466</u>	<u>9,691,022</u>	<u>305,605</u>	<u>9,996,627</u>
Reinsurers' share of technical provisions							
Provision for unearned Premiums		515,331	-	515,531	433,134	-	433,134
Claims outstanding		3,239,265	-	3,239,265	6,217,014	-	6,217,014
		<u>3,754,596</u>	<u>-</u>	<u>3,754,596</u>	<u>6,650,148</u>	<u>-</u>	<u>6,650,148</u>
Debtors							
Arising out of direct insurance operations		2,315,246	-	2,315,246	2,776,992	-	2,776,992
Arising out of reinsurance operations		1,903,840	-	1,903,840	1,758,988	-	1,758,988
Other debtors	10	1,065,506	1,218,690	2,284,196	752,289	133	752,422
		<u>5,284,592</u>	<u>1,218,690</u>	<u>6,503,282</u>	<u>5,288,269</u>	<u>133</u>	<u>5,288,402</u>
Other Assets							
Cash at bank and in hand	11	1,362,237	1,206,259	2,568,496	1,729,938	640,205	2,370,143
Other		690,582	-	690,582	832,288	-	832,288
		<u>2,052,819</u>	<u>1,206,259</u>	<u>3,259,078</u>	<u>2,562,226</u>	<u>640,205</u>	<u>3,202,431</u>
Prepayments and Accrued Income							
Accrued interest		37,656	-	37,656	32,930	-	32,930
Deferred acquisitions Costs		1,194,818	-	1,194,818	1,222,198	-	1,222,198
Other prepayments and accrued income		39,639	-	39,639	29,406	-	29,406
		<u>1,272,113</u>	<u>-</u>	<u>1,272,113</u>	<u>1,284,534</u>	<u>-</u>	<u>1,284,534</u>
Total Assets		£22,935,950	£2,873,764	£25,809,714	£25,476,199	£1,045,250	£26,521,449

The Accounting Policies and Notes on pages 14 to 28 form part of these Financial Statements

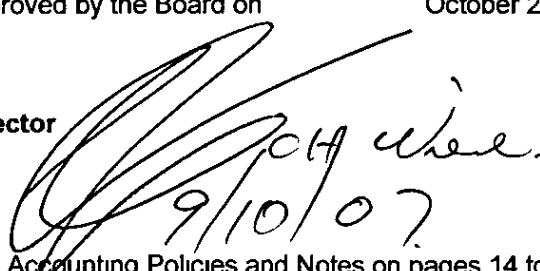
WIESCO LIMITED

BALANCE SHEET
As at 31 December 2006

		2006		2005			
	Note	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Liabilities and Shareholders' Funds							
Capital and Reserves							
Called-up share capital	12	-	500	500	-	500	500
Profit and Loss Account	13	849,143	(490,472)	358,671	387,874	(59,486)	328,388
Total Shareholders' Funds	14	849,143	(489,972)	359,171	387,874	(58,986)	328,888
Technical Provisions							
Provision for unearned premiums		4,866,673	-	4,866,673	4,767,859	-	4,767,859
Claims outstanding		13,755,524	-	13,755,524	17,691,361	-	17,691,361
		18,622,197	-	18,622,197	22,459,220	-	22,459,220
Provisions for Other Risks and Charges							
Deferred taxation	15	-	132,394	132,394	-	54,081	54,081
Deposit received from reinsurers		168,574	-	168,574	461,678	-	461,678
Creditors							
Arising out of direct insurance operations		556,399	-	556,399	342,808	-	342,808
Arising out of reinsurance operations		891,148	-	891,148	1,229,077	-	1,229,077
Amounts owed to credit institutions		59	-	59	1,256	-	1,256
Other creditors	16	1,776,071	3,129,189	4,905,260	503,699	407,609	911,308
		3,223,677	3,129,189	6,352,866	2,076,840	407,609	2,484,449
Accruals and Deferred Income		72,359	102,153	174,512	90,587	642,546	733,133
Total Liabilities		£22,935,950	£2,873,764	£25,809,714	£25,476,199	£1,045,250	£26,521,449

Approved by the Board on October 2007

Director



The Accounting Policies and Notes on pages 14 to 28 form part of these Financial Statements

WIESCO LIMITED**STATEMENT OF TOTAL RECOGNISED
GAINS AND LOSSES**

	2006	2005
Profit/(Loss) for the Financial Year	30,283	(500,016)
Total Recognised Gains and Losses Relating to the Year	30,283	(500,016)
Prior year adjustment	-	754,873
Total Gains and Losses Recognised since last Financial Statements	£30,283	£254,857

The prior year adjustment relates to the change in reporting basis from the fund basis of accounting to the annual basis of accounting which was adopted for the first time 2005

WIESCO LIMITED
CASH FLOW STATEMENT
Year ended 31 December 2006

	Note	2006	2005
Net Cash (Outflow)/Inflow from Operating Activities	17	(2,174,682)	984,715
Interest and dividends received		40,783	17,985
Net Cash Inflow from Returns on Investments and Servicing of Finance		40,783	17,985
Taxation Paid			
Taxation paid		(136,640)	(135,303)
Capital Expenditure and Financial Investment			
Purchase of intangible fixed assets		(3,919)	(59,872)
Proceeds from the sale of intangible fixed assets		84,449	2,201
Net Cash (Outflow)/Inflow from Capital Expenditure and Financial Investment		80,530	(57,671)
Cashflow before financing		(2,190,009)	809,726
Financing			
Funds loaned/(repaid) to company by shareholders to meet Expenses and cash calls		2,756,063	(536,806)
Increase in Cash	19	£566,054	£272,920
Cashflows were invested as follows	18, 19		
Increase in cash holdings		566,054	220,973
Net portfolio investment		-	51,947
Net Investment of Cashflow		£566,054	£272,920

The Company has no control over the disposition of asset 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.

The Accounting Policies and Notes on pages 14 to 28 form part of these Financial Statements

Basis of Preparation

The Financial Statements are prepared under the historical cost basis of accounting modified to include the revaluation of investments and comply with applicable Accounting Standards

The Company participates in insurance business as an underwriting member of various Syndicates at Lloyd's

The Financial Statements have been prepared in accordance with Section 255 of, 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 December 2005, as amended in December 2006, except that exchange differences arising on Syndicate assets and liabilities are dealt with in the technical account as all of these differences arise from technical account transactions

Accounting information in respect of the Syndicate participations has been provided by the Syndicate's managing agent and has been reported upon by the Syndicate auditors

Basis of Accounting

The Financial Statements are prepared under the annual basis of accounting. Under the annual basis of accounting a result is determined at the end of each accounting period reflecting the profit or loss from providing insurance coverage during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods

Amounts reported in the general business technical account relate to movements in the period in respect of all relevant years of account of the Syndicates on which the Company participates

Assets and liabilities arising as a result of the underwriting activities are mainly controlled by the Syndicates' managing agents. Accordingly, these assets and liabilities have been shown separately in the balance sheet as "Syndicate Participation". Other assets and liabilities are shown as "Corporate". The syndicate assets are held subject to trust deeds for the benefit of the Syndicates' insurance creditors

General Business**I Premiums**

Premiums written comprise the total premiums receivable in respect of business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the syndicates on which the Company participates, less an allowance for cancellations. All premiums are shown gross of commission payable to intermediaries and exclude taxes and duties levied on them

II Unearned Premiums

Written premium is earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis having regard where appropriate, to the incidence of risk. The specific basis adopted by each syndicate is determined by the relevant managing agent

III Deferred Acquisition Costs

Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned

IV Reinsurance Premiums

Reinsurance premium costs are allocated by the Managing Agent of each syndicate to reflect the protection arranged in respect of the business written and earned

v Claims Incurred and Reinsurers' Share

Claims incurred comprise claims and settlement expenses (both internal and external) occurring in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and settlement expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

The provision for claims outstanding comprises amounts set aside for claims notified and claims incurred but not yet reported (IBNR). The amount included in respect of IBNR is based on statistical techniques of estimation applied by each syndicate's in-house reserving team and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience 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 provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to each syndicate's reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. Each syndicate uses a number of statistical techniques to assist in making these estimates.

Accordingly the two most critical assumptions made by each syndicate's managing agent as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used including pricing models for recent business are reasonable indicators of the likely level of ultimate claims to be incurred.

The level of uncertainty with regard to the estimations within these provisions generally decreases with time since the underlying contracts were exposed to new risks. In addition the nature of short tail claims such as property where claims are typically notified and settled within a short period of time will normally have less uncertainty after a few years than long tail risks such as some liability business where it may be several years before claims are fully advised and settled. In addition to these factors if there are disputes regarding coverage under policies or changes in the relevant law regarding a claim this may increase the uncertainty in the estimation of the outcomes.

The assessment of these provisions is usually the most subjective aspect of an insurer's accounts and may result in greater uncertainty within an insurer's accounts than within those of many other businesses. The provisions for gross claims and related reinsurance recoveries have been assessed on the basis of the information currently available to the directors of each syndicate's managing agent. However, 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 provisions are not discounted for the investment earnings that may be expected to arise in the future on the funds retained to meet the future liabilities. The methods used, and the estimates made, are reviewed regularly.

vi Unexpired Risks Provision

Provisions for unexpired risks are made where the costs of outstanding claims, related expenses and deferred acquisition costs are expected to exceed the unearned premium provision carried forward at the balance sheet date. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together, after taking into account relevant investment return. The provision is made on a syndicate by syndicate basis by the relevant managing agent.

vii Closed Years of Account

At the end of the third year, the underwriting account is normally closed by reinsurance into the following year of account. The amount of the reinsurance to close premium payable is determined by the managing agent, generally by estimating the cost of claims notified but not settled at 31 December, together with the estimated cost of claims incurred but not reported at that date, and an estimate of future claims handling costs. Any subsequent variation in the ultimate liabilities of the closed year of account is borne by the underwriting year into which it is reinsured.

The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring syndicate was unable to meet its obligations, and the other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle outstanding claims.

The Directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle the liabilities outstanding at the closure of an underwriting account. The company has included its share of the reinsurance to close premiums payable as technical provisions at the end of the current period, and no further provision is made for any potential variation in the ultimate liability of that year of account.

viii Run-off Years of Account

Where an underwriting year of account is not closed at the end of the third year (a "run-off" year of account) a provision is made for the estimated cost of all known and unknown outstanding liabilities of that year. The provision is determined initially by the managing agent on a similar basis to the reinsurance to close. However, any subsequent variation in the ultimate liabilities for that year remains with the corporate member participating therein. As a result any run-off year will continue to report movements in its results after the third year until such time as it secures a reinsurance to close.

ix Net Operating Expenses (including Acquisition Costs)

Net operating costs include acquisition costs, profit and loss on exchange and other amounts incurred by the syndicates on which the Company participates.

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the Balance Sheet date.

x Distribution of Profits and Collection of Losses

Lloyd's operates a detailed set of regulations regarding solvency and the distribution of profits and payment of losses between syndicates and their members. Lloyd's continues to require membership of syndicates to be on an underwriting year of account basis and profits and losses belong to members according to their membership of a year of account. Normally profits and losses are transferred between the syndicate and members after results for a year of account are finalised after 36 months. This period may be extended if a year of account goes into run-off. The syndicate may make earlier on account distributions or cash calls according to the cash flow of a particular year of account and subject to Lloyd's requirements.

xi Investments

Investments are stated at current value, including accrued interest at the Balance Sheet date.

xii Investment Return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses and charges

Realised and unrealised gains and losses are measured by reference to the original cost of the investment if purchased in the year, or if held at the beginning of the year by reference to the current value at that date

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting the underwriting business

xiii Basis of Currency Translation

Syndicates maintain separate funds in sterling, United States dollars, Canadian dollars and Euros

Income and expenditure in US dollars, Canadian dollars and Euros is translated at the average rate of exchange for the year. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed

Assets and liabilities are translated into sterling at the rates of exchange at the Balance Sheet date

Differences arising on translation of foreign currency amounts in syndicates are included in the technical account

xiv 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 as processed by the Lloyd's central facility, 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

Taxation

The company is taxed on its results including its share of underwriting results declared by the syndicates and these are deemed to accrue evenly over the calendar year in which they are declared. The syndicate results included in these financial statements are only declared for tax purposes in the calendar year following the normal closure of the year of account. No provision is made for corporation tax in relation to open years of account. However, full provision is made for deferred tax on underwriting results not subject to current corporation tax

The taxable results of the syndicates at a syndicate level are calculated by the managing agent and computations submitted to HM Revenue & Customs (HMRC). Any adjustments that may be necessary to the tax provisions established by the Company, as a result of any HMRC enquiry into these computations, will be reflected in the financial statements of subsequent periods

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

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 fixed assets and amortised over a 3 year period beginning in the year after the underwriting commences in respect of the purchased Syndicate participation

Cash Flow Statement

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 Syndicates at Lloyd's

WIESCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Class of Business	Gross written premiums	Gross premiums earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
2006						
Direct						
Accident and health	578,866	590,265	(201,781)	(254,417)	(16,570)	117,497
Motor (third party liability)	60,294	54,400	(31,268)	(21,539)	(674)	919
Motor (other classes)	589,183	583,372	(351,046)	(176,282)	(41,844)	14,200
Marine, aviation and transport	1,386,910	1,265,709	(561,250)	(384,099)	(168,000)	152,360
Fire and other damage to property	3,087,836	2,898,238	(1,301,120)	(1,068,304)	(296,069)	232,745
Third party liability	1,691,248	1,666,567	(919,750)	(492,496)	(113,074)	141,247
Credit and suretyship	140,637	140,625	(41,182)	(50,192)	(23,204)	26,047
Legal expenses	11,165	11,925	(4,137)	(2,852)	1,052	5,988
Miscellaneous	119,907	172,004	(56,260)	(78,729)	(38,745)	(1,730)
	<u>7,666,046</u>	<u>7,383,105</u>	<u>(3,467,794)</u>	<u>(2,528,910)</u>	<u>(697,128)</u>	<u>689,273</u>
Reinsurance	<u>4,156,946</u>	<u>3,990,676</u>	<u>(1,556,151)</u>	<u>(1,113,407)</u>	<u>(485,609)</u>	<u>835,509</u>
Total	<u>£11,822,992</u>	<u>£11,373,781</u>	<u>£(5,023,945)</u>	<u>£(3,642,317)</u>	<u>£1,182,737</u>	<u>£1,524,782</u>

2005

Direct Insurance

Accident and health	598,558	529,112	(216,572)	(211,761)	(40,135)	60,644
Motor (third party liability)	46,973	43,670	(25,877)	(12,318)	(1,188)	4,287
Motor (other classes)	586,141	573,688	(379,813)	(165,277)	(7,589)	21,009
Marine, aviation and transport	1,164,820	1,073,647	(1,509,722)	(290,495)	670,338	(56,232)
Fire and other damage to property	2,638,088	2,427,112	(2,433,914)	(732,413)	466,131	(273,084)
Third party liability	1,770,842	1,714,878	(1,076,271)	(452,502)	(58,917)	127,188
Credit and suretyship	111,015	112,045	(84,006)	(33,210)	12,338	7,167
Legal expenses	11,428	8,701	(6,379)	(2,831)	178	(331)
Miscellaneous	165,187	178,098	(43,897)	(44,765)	(37,109)	52,327
	<u>7,093,052</u>	<u>6,660,951</u>	<u>(5,776,451)</u>	<u>(1,945,572)</u>	<u>1,004,047</u>	<u>(57,025)</u>
Reinsurance	<u>3,661,619</u>	<u>3,511,368</u>	<u>(5,218,370)</u>	<u>(905,083)</u>	<u>1,652,160</u>	<u>(959,925)</u>
Total	<u>£10,754,671</u>	<u>£10,172,319</u>	<u>£(10,994,821)</u>	<u>£(2,850,655)</u>	<u>£2,656,207</u>	<u>£(1,016,950)</u>

2 Geographical Analysis

	2006	2005
Direct Gross Premium Written in:		
United Kingdom	7,666,046	7,093,052
Other EU Member States	-	-
Rest of the World	-	-
	<hr/>	<hr/>
	£7,666,046	£7,093,052
	<hr/>	<hr/>

3 Net Operating Expenses

Acquisition costs	2,707,447	2,500,382
Change in deferred acquisition costs	(102,412)	(209,082)
Administrative expenses	921,204	679,293
(Profit)/Loss on exchange	170,531	(119,938)
Reinsurers commissions and profit participations	(54,453)	-
	<hr/>	<hr/>
	£3,642,317	£2,850,655
	<hr/>	<hr/>

4 Investment Income

Income from investments	535,525	399,987
Realised gains on investments	32,481	31,953
Bank deposit interest	34,999	13,413
	<hr/>	<hr/>
	£603,005	£445,353
	<hr/>	<hr/>

5 Investment Expenses and Charges

Investment management expenses	10,354	8,882
Losses on the realisation of investments	37,343	44,547
	<hr/>	<hr/>
	£47,697	£53,429
	<hr/>	<hr/>

6 Profit on Ordinary Activities before Taxation

This is stated after charging/(crediting)

Directors remuneration	£ -	£ -
Auditors' remuneration - audit of the Financial Statements	£ 1,000	£ 1,000
- taxation services	£ 650	£ 500
- company secretarial services	£ 500	£ 500
- advisory services	£ 500	£ 500
Amortisation of syndicate capacity	£ 44,323	£ 145,932
Profit on sale and syndicate capacity	£ (612,078)	£ (1,031)
Charge for Funds at Lloyd's (see Note 22)	£(2,731,063)	£ -
	<hr/>	<hr/>

The Company has no employees

7 Taxation**2006****2005****Analysis of Charge in Period**

Current tax

UK corporation tax on profit of the period

1,095

15,000

Adjustment in respect of previous period

(916)

-

Foreign tax

179
(135,202)15,000
135,303

Total current tax

(135,023)

150,303

Deferred tax

Origination and reversal of timing differences

(41,687)

(217,653)

Double tax relief

120,000

(120,000)

£(56,170)£(187,350)**Factors affecting tax charge for period**

The tax assessed for the period is different to the standard rate of corporation tax in the UK (30%) The differences are explained below

Profit/(loss) on ordinary activities before tax

£(25,887)

£(687,366)

Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 - 30%)

(7,766)

(206,210)

Effects of

Expenses not deductible for tax purposes

(23,822)

(1,439)

Timing difference on underwriting profits

(126,680)

440,252

Other timing differences

(28,460)

(35,920)

Foreign tax

(135,202)

135,303

Adjustments in respect of prior periods

(916)

-

Trading losses utilised

186,728

(181,683)

Tax credit on UK dividends

1,095

-

Current tax charge for period

£(135,023)£150,303**Factors that may affect future tax charges**

The results of the Company's participation on the 2004, 2005 and 2006 years of account and the calendar year movement on 2003 and prior run-offs, will not be assessed to tax until the year ended 31 December 2007, 2008 and 2009 respectively being the year after the calendar year result of each run-off year or the normal date of closure of each year of account.

The above charge for foreign tax has been estimated after making provision for double taxation relief with the UK. However, due to the differences of timings and tax rates some foreign tax may ultimately not be fully recoverable.

8 Intangible Assets

Purchased syndicate capacity	2006
Cost	
At 1 January 2006	455,377
Additions	3,919
Disposals	(100,114)
	<hr/>
At 31 December 2006	359,182
	<hr/>
Amortisation	
At 1 January 2006	356,070
Provided during the year	44,323
Disposals	(84,390)
	<hr/>
At 31 December 2006	316,003
	<hr/>
Net Book Value	
At 31 December 2006	£43,179
	<hr/>
At 31 December 2005	£99,307
	<hr/>

9 Investments

Other Financial Investments - Syndicate

	2006		2005	
	Market value	Cost	Market value	Cost
Shares and other variable yield securities and units in unit trusts	1,120,819	1,068,403	746,086	709,886
Debt securities and other fixed income securities	8,706,270	8,701,712	8,349,959	8,394,571
Participation in investment pools	78,787	75,532	74,529	70,152
Other loans	234,348	234,300	78,176	53,008
Deposits with credit institutions	222,403	222,751	431,890	430,242
Other	2,172	2,747	-	-
Overseas deposits	194,268	194,268	-	-
	<u>£10,559,067</u>	<u>£10,499,713</u>	<u>£9,680,640</u>	<u>£9,657,859</u>
Listed investments included within the above	<u>£9,827,089</u>	<u>£9,770,115</u>	<u>£9,096,044</u>	<u>£9,104,457</u>

Other Financial Investments - Corporate

Shares and other variable yield securities and units in unit trusts	405,636	155,080	305,605	149,916
	<u>£405,636</u>	<u>£155,080</u>	<u>£305,605</u>	<u>£149,916</u>
Listed investments included within the above	<u>£405,636</u>	<u>£155,080</u>	<u>£305,605</u>	<u>£149,916</u>

10 Other Debtors

	2006			2005		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Taxes recoverable	-	256,123	256,123	-	-	-
Other	1,065,506	962,567	2,028,073	752,289	133	752,422
	<u>£1,065,506</u>	<u>£1,218,690</u>	<u>£2,284,196</u>	<u>£752,289</u>	<u>£133</u>	<u>£752,422</u>

Other debtors includes £419,214 (2005 - £Nil) in respect of cash calls paid to Lloyd's syndicates. This amount will be recoverable when the year of account on whose behalf the call was made is closed at a profit, or will be treated as a payment on account if the year is closed at a loss.

11 Cash at Bank and in Hand

	2006			2005		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Lloyd's deposit	-	1,124,906	1,124,906	-	624,213	624,213
Cash at bank	1,362,237	81,353	1,443,590	1,729,938	15,992	1,745,930
	<u>£1,362,237</u>	<u>£1,206,259</u>	<u>£2,568,496</u>	<u>£1,729,938</u>	<u>£640,205</u>	<u>£2,370,143</u>

The Lloyd's deposit represents monies 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 Lloyd's Deposit Trust Deed which gives the Corporation the right to apply these monies in settlement of any claims arising from the participation on the syndicates. These monies 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.

12 Called-up Share Capital

	2006	2006	2005	2005
	Authorised	Allotted, called-up and fully paid	Authorised	Allotted, called-up and fully paid
Ordinary shares of £1 each	<u>£100,000</u>	<u>£500</u>	<u>£100,000</u>	<u>£500</u>

13 Profit and Loss Account

	2006		
	Syndicate Participation	Corporate	Total
Retained profit brought forward	387,874	(59,486)	328,388
(Loss)/Profit for the financial year	2,081,001	(2,050,718)	30,283
Transfer	(1,619,732)	1,619,732	-
	<u>£849,143</u>	<u>£(490,472)</u>	<u>£358,671</u>

14 Reconciliation of Movements in Shareholders' Funds

	2006	2005
Opening shareholders funds as previously stated	328,888	74,031
Prior year adjustment	-	754,873
	<u>328,888</u>	<u>828,904</u>
Opening shareholders funds as restated	328,888	828,904
(Loss)/Profit for the financial year	30,283	(500,016)
	<u>£359,171</u>	<u>£328,888</u>

15 Deferred Taxation**2006**

Opening balance	54,081
Profit and loss account	78,313
	<hr/>
Closing balance	£132,394
	<hr/>

Analysing Provision for Deferred Taxation**2006****2005**

Timing difference arising from the taxation of underwriting profits	254,742	134,081
Other timing differences	(122,348)	40,000
Double taxation relief	-	(120,000)
	<hr/>	<hr/>
	£132,394	£54,081
	<hr/>	<hr/>

16 Creditors**2006****2005**

	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Other creditors	1,776,071	66,212	1,842,283	503,699	85,695	589,394
Proprietors' loan account	-	3,062,977	3,062,977	-	306,914	306,914
Corporation tax	-	-	-	-	15,000	15,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	£1,776,071	£3,129,189	£4,905,260	£503,699	£407,609	£911,308
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

17 Reconciliation of Operating Profit/(Loss) to Net Cash (Outflow)/Inflow from Operating Activities**2006****2005**

Operating profit/(loss)	(25,887)	(687,366)
Interest and dividends received – non technical account	(45,947)	(21,698)
Unrealised gain on corporate investments	(94,867)	(119,732)
(Decrease)/Increase in creditors	(559,876)	176,561
Increase in debtors	(419,081)	(133)
Underwriting results	(461,269)	1,490,120
Amortisation of syndicate capacity	44,323	145,932
(Profit)/loss on sale of syndicate capacity	(612,078)	1,031
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	£(2,174,682)	£984,715
	<hr/>	<hr/>

18 Movement in Opening and Closing Portfolio Investments Net of Financing	2006	2005
Net cash inflow from the year	566,054	220,973
Cash flow – portfolio investments	-	51,947
Movement arising from cash flows	566,054	272,920
Changes in market value and exchange rates	94,867	119,732
Non cash transactions	5,164	3,713
Total movement in portfolio investments net of financing	666,085	396,365
Balance brought forward at 1 January	945,810	549,445
Balance carried forward at 31 December	£1,611,895	£945,810

19 Movement in Cash, Portfolio Investments and Financing

	At 1 January 2006	Non Cash Transactions	Cash flow	Changes to market value and currencies	At 31 December 2006
Cash at bank and in hand	640,205	-	566,054	-	1,206,259
Portfolio investments					
Shares and other variable yield securities and units in unit trusts	305,605	5,164	-	94,867	405,636
Total portfolio investments	305,605	5,164	-	94,867	405,636
Total cash, portfolio Investments and financing	£945,810	£5,164	£566,054	£94,867	£1,611,895

20 Funds at Lloyd's

In addition to the Funds held in the Lloyd's Deposit (Note 11) the Company's Lloyd's underwriting is supported by further amounts of £3,835,263 (2005 £3,543,000). These funds are also available to Lloyd's to meet the personal underwriting liabilities of the shareholders for underwriting years commencing prior to 1 January 1999.

21 Syndicate Participation

Syndicate No.	Managing Agent	2007	2006	2005	2004
		Allocated capacity per underwriting year			
		£'000	£'000	£'000	£'000
33	Hiscox Syndicates Limited	1,355	1,290	1,067	1,080
218	Cox Syndicate Management Limited	-	370	400	250
510	R J Kiln & Company Limited	1,738	1,478	1,291	1,100
557	R J Kiln & Company Limited	1,301	802	505	150
570	Atrium Underwriting limited	625	750	750	700
609	Atrium Underwriters Limited	400	400	400	271
623	Beazley Furlonge Limited	1,043	1,006	800	700
727	S A Meacock & Company Limited	700	700	700	500
779	St Paul Syndicate Management Limited	150	132	125	171
780	Advent Underwriting Limited	-	-	200	100
807	R J Kiln & Co Limited	-	715	750	600
958	Omega Underwriting Agents Limited	888	888	900	731
2010	Cathedral Underwriting Limited	375	313	-	-
2020	Wellington Underwriting Agencies Limited	-	1,096	886	800
2791	Managing Agency Partners Limited	1,308	1,137	927	700
4040	Illium Syndicates Limited	-	-	-	250
6103	Argenta MAP	100	-	-	-
7103	Anton Value MAPA	-	-	-	900
		£9,983	£11,077	£9,701	£9,003

In addition the company is still participating on the following syndicates and MAPA participations in run-off

Syndicate No.	Year of Account	Capacity
2	2002	125,000
2	2001	75,000
138	2000	75,000
340	2001	50,000
340	2000	40,000
435	2000	75,000
7103 (MAPA)	1999	6,061
7103 (MAPA)	2000	69,682
7103 (MAPA)	2001	38,648

21 Syndicate Participation (continued)**Technical Provisions – Run-off years of account**

Certain syndicate years of account, representing some £554,391 of capacity, on which the Company participated have not been closed at their normal date or subsequently

The reasons for these years of account being placed in run-off include

- material exposure to losses from the terrorist attacks in the United States of America on 11 September 2001,
- significant reinsurance disputes,
- the lack of a successor to accept the reinsurance to close and therefore uncertainty as to the ultimate cost of a reinsurance to close to a third party,
- material potential exposure to litigation arising from the corporate failure of certain US corporations, for example Enron and WorldCom, and
- material potential exposure to litigation arising on alleged improper activities, in relation to a number of initial public offerings (IPOs) in the United States of America, so called "Laddering Claims"

Whilst the Directors consider the technical provision for outstanding claims is the best estimate that can be made on the basis of information currently available, the estimate is subject to change. Further information may cause the estimate to be revised. The timing of the conclusions on these estimates is unknown. Accordingly the determination of the underwriting result for the year and any related provision for run-off year of account losses is fundamentally uncertain and the eventual result might be higher or lower.

22 Related Party Transactions

C H Wiese and C Wiese are Directors of the Company. During 2006 they and Myrtledare Corp have provided funding of £25,000 (2005 - £117,197) and made charges of £2,731,063 (2005 - nil) for providing Funds at Lloyd's on behalf of the company. During 2006 £Nil (2005 - £654,004) was repaid and included within creditors at 31 December 2006 is £3,062,977 (2005 - £306,014) which is due to C H Wiese and C Wiese and Myrtledare Corp. This amount is shown separately in Note 16 under Directors' loan account. No interest has been charged on the amount outstanding.

As detailed in note 20 Funds at Lloyd's have been provided by Myrtledare Corp to support the company's underwriting. As part of an agreement for the continuation of this funding the company has agreed to pay a fee to Myrtledare Corp and this initial charge includes an amount to recognise the cost since the initial provision of Funds at Lloyd's to the company.

23 Ultimate Parent Undertaking

The ultimate parent undertaking is Myrtledare Corp a company registered in the British Virgin Islands that is owned by C H Wiese.