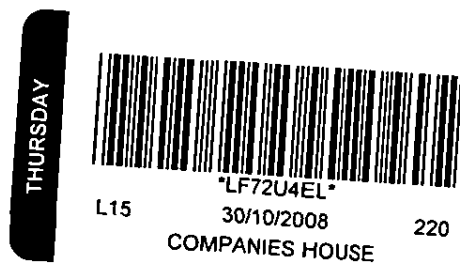


CO NO 03641073

WIESCO LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2007

20



	Page
Directors and Advisers	2
Report of the Directors	3 - 5
Statement of Directors' Responsibilities	6
Report of the Auditors	7
Profit and Loss Account	8 & 9
Balance Sheet	10 & 11
Cash Flow Statement	12
Accounting Policies	13 - 17
Notes to the Financial Statements	18 - 27

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

Littlejohn
Chartered Accountants
and Registered Auditors
1 Westferry Circus
Canary Wharf
London E14 4HD

The Directors have pleasure in presenting their Report together with the Financial Statements for the year ended 31 December 2007

Results and Dividends

The results for the period are set out on pages 8 and 9 of the financial statements. No dividends were paid and declared in the year. The Directors do not recommend the payment of a final 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 2005, 2006 and 2007 years of account, as well as any 2004 and prior run-off years.

The annual accounting technical result for the year is a profit of £2,036,082 (2006 – profit £2,081,001). The lack of any hurricane or other major catastrophe activity in 2007 has resulted in the company recording another strong annual accounting result.

The 2005 year closed at 31 December 2007 with a profit, net of any calendar year run-off movements of £235,856 (2004 profit - £871,522). The 2006 and 2007 open underwriting account will normally close at 31 December 2008 and 2009.

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 2008 year of account is £7,469,163, a decrease of £2,513,436 compared to the 2007 year of account.

Key Performance Indicators

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

	2007	2006	Change
Capacity (youngest underwriting year)	£9,982,599	£11,077,000	-9.9%
Profit after tax	£1,000,316	£30,283	N/A
Underwriting profit of latest closed year	£235,856	£871,522	-72.9%
as a % of capacity	2.4%	9.7%	-75.3%

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

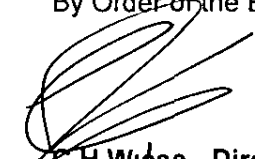
In the case of each of the persons who are Directors at the time this report is approved, the following applies

- (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

Since signing the audit opinion of the previous financial statements our auditors, CLB Littlejohn Frazer, have changed their name to Littlejohn and continue to be appointed as auditors

By Order of the Board


C H Wiese - Director
26/09

2008

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 accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Practice) 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 2007 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 2007 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.

Littlejohn

Chartered Accountants
and Registered Auditors

26 September 2008

1 Westferry Circus
Canary Wharf
London E14 4HD

WIESCO LIMITED
PROFIT AND LOSS ACCOUNT
Year ended 31 December 2007
TECHNICAL ACCOUNT - GENERAL BUSINESS

	Note	2007	2006
Gross Premiums Written	1	8,748,900	11,822,992
Outward reinsurance premiums		(1,549,723)	(1,942,259)
Net Premiums Written		7,199,177	9,880,733
Change in the provision for unearned premiums			
Gross provision		1,132,795	(449,211)
Reinsurers share		(40,305)	118,617
Earned Premiums, Net of Reinsurance		8,291,667	9,550,139
Allocated Investment Return Transferred from the Non-Technical Account		716,930	556,219
Claims Paid			
Gross amount		(5,149,295)	(7,240,715)
Reinsurers' share		1,284,039	3,064,149
Net claims paid		(3,865,256)	(4,176,566)
Change in Provision for Claims			
Gross amount		1,032,750	2,216,770
Reinsurers' share		(934,265)	(2,423,244)
Change in net provision for claims		98,485	(206,474)
Claims Incurred, Net of Reinsurance		(3,766,771)	(4,383,040)
Net operating expenses	3	(3,205,744)	(3,642,317)
Balance on the Technical Account for General Business		£2,036,082	£2,081,001

All the amounts above relate to continuing operations

The Accounting Policies and Notes on pages 13 to 27 form part of these Financial Statements

NON-TECHNICAL ACCOUNT

	Notes	2007	2006
Balance on the General Business Technical Account		2,036,082	2,081,001
Investment income	4	871,466	603,005
Unrealised gains on investments		150,097	158,760
Investment expenses and charges	5	(77,947)	(47,697)
Unrealised losses on investments		(107,786)	(16,464)
Allocated investment return transferred to the general business technical account		(716,930)	(556,219)
Other income		231,527	612,078
Other charges		(948,230)	(2,860,351)
Profit on Ordinary Activities before Taxation	6	1,438,279	(25,887)
Tax on profit on ordinary activities	7	(437,963)	56,170
Profit on Ordinary Activities after Taxation	14	£1,000,316	£30,283
All operations are continuing			

The Accounting Policies and Notes on pages 13 to 27 form part of these Financial Statements

		2007		2006			
	Note	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Assets							
Intangible Assets	8	-	16,080	16,080	-	43,179	43,179
Investments							
Financial Investments	9	11,719,786	352,379	12,072,165	10,559,067	405,636	10,964,703
Deposits with ceding Undertakings		12,017	-	12,017	12,763	-	12,763
		<u>11,731,803</u>	<u>352,379</u>	<u>12,084,182</u>	<u>10,571,830</u>	<u>405,636</u>	<u>10,977,466</u>
Reinsurers' share of technical provisions							
Provision for unearned Premiums		463,543	-	463,543	515,331	-	515,531
Claims outstanding		2,281,743	-	2,281,743	3,239,265	-	3,239,265
		<u>2,745,286</u>	<u>-</u>	<u>2,745,286</u>	<u>3,754,596</u>	<u>-</u>	<u>3,754,596</u>
Debtors							
Arising out of direct insurance operations		1,676,474	-	1,676,474	2,315,246	-	2,315,246
Arising out of reinsurance operations		1,698,073	-	1,698,073	1,903,840	-	1,903,840
Other debtors	10	1,205,367	442,693	1,648,060	1,065,506	1,218,690	2,284,196
		<u>4,579,914</u>	<u>442,693</u>	<u>5,022,607</u>	<u>5,284,592</u>	<u>1,218,690</u>	<u>6,503,282</u>
Other Assets							
Cash at bank and in hand	11	2,498,095	1,295,126	3,793,221	1,362,237	1,206,259	2,568,496
Other		8,440	-	8,440	690,582	-	690,582
		<u>2,506,535</u>	<u>1,295,126</u>	<u>3,801,661</u>	<u>2,052,819</u>	<u>1,206,259</u>	<u>3,259,078</u>
Prepayments and Accrued Income							
Accrued interest		41,145	-	41,145	37,656	-	37,656
Deferred acquisitions Costs		910,075	-	910,075	1,194,818	-	1,194,818
Other prepayments and accrued income		18,339	-	18,339	39,639	-	39,639
		<u>969,559</u>	<u>-</u>	<u>969,559</u>	<u>1,272,113</u>	<u>-</u>	<u>1,272,113</u>
Total Assets		£22,533,097	£2,106,278	£24,639,375	£22,935,950	£2,873,764	£25,809,714

The Accounting Policies and Notes on pages 13 to 27 form part of these Financial Statements

WIESCO LIMITED

BALANCE SHEET
As at 31 December 2007

		2007		2006			
	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	2,048,777	(689,790)	1,358,987	849,143	(490,472)	358,671
<hr/>							
Total Shareholders' Funds	14	2,048,777	(689,290)	1,359,487	849,143	(489,972)	359,171
<hr/>							
Technical Provisions.							
Provision for unearned premiums		3,697,631	-	3,697,631	4,866,673	-	4,866,673
Claims outstanding		13,136,243	-	13,136,243	13,755,524	-	13,755,524
<hr/>							
		16,833,874	-	16,833,874	18,622,197	-	18,622,197
<hr/>							
Provisions for Other Risks and Charges							
Deferred taxation	15	-	545,000	545,000	-	132,394	132,394
Deposit received from reinsurers		54,338	-	54,338	168,574	-	168,574
Creditors							
Arising out of direct insurance operations		630,337	-	630,337	556,399	-	556,399
Arising out of reinsurance operations		878,558	-	878,558	891,148	-	891,148
Amounts owed to credit Institutions		-	-	-	59	-	59
Other creditors	16	1,974,826	1,965,082	3,939,908	1,776,071	3,129,189	4,905,260
<hr/>							
		3,483,721	1,965,082	5,448,803	3,223,677	3,129,189	6,352,866
<hr/>							
Accruals and Deferred Income		112,387	285,486	397,873	72,359	102,153	174,512
<hr/>							
Total Liabilities		£22,533,097	£2,106,278	£24,639,375	£22,935,950	£2,873,764	£25,809,714

Approved by the Board on 26 September 2008

C.H. Wiese - Director

The Accounting Policies and Notes on pages 13 to 27 form part of these Financial Statements

	Note	2007	2006
Net Cash Inflow/(Outflow) from Operating Activities	17	52,514	(2,174,682)
Interest and dividends received		142,358	40,783
Net Cash Inflow from Returns on Investments and Servicing of Finance		142,358	40,783
Taxation Recovered/(Paid)			
Taxation recovered/(paid)		241,489	(136,640)
Capital Expenditure and Financial Investment			
Purchase of intangible fixed assets		-	(3,919)
Proceeds from the sale of intangible fixed assets		782,219	84,449
Net Cash Inflow from Capital Expenditure and Financial Investment		782,219	80,530
Cashflow before financing		1,218,580	(2,190,009)
Financing			
Funds loaned/(repaid) to company by shareholders to meet Expenses and cash calls		(1,159,512)	2,756,063
Increase in Cash	19	£59,068	£566,054
Cashflows were invested as follows	18, 19		
Increase in cash holdings		88,867	566,054
Net portfolio investment		(29,799)	-
Net Investment of Cashflow		£59,068	£566,054

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 13 to 27 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 2006, as amended in December 2007, 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

1	Class of Business	Gross written premiums	Gross premiums earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
	2007						
	Direct						
	Accident and health	359,425	450,358	(205,102)	(153,752)	(25,174)	66,330
	Motor (third party liability)	50,050	61,221	(26,419)	(17,732)	2,127	19,197
	Motor (other classes)	94,105	299,392	(182,751)	(93,655)	4,115	27,107
	Marine, aviation and transport	1,132,997	1,193,276	(466,828)	(338,322)	(169,261)	218,865
	Fire and other damage to property	2,451,800	2,720,694	(1,119,296)	(1,006,770)	(288,559)	306,069
	Third party liability	1,409,556	1,457,850	(838,326)	(501,447)	(99,706)	18,371
	Credit and suretyship	131,090	134,704	(43,225)	(31,669)	(14,532)	45,278
	Legal expenses	12,963	15,125	(8,465)	(5,498)	(119)	1,043
	Miscellaneous	116,455	102,643	(41,294)	(59,895)	6,365	7,819
		<u>5,758,441</u>	<u>6,435,263</u>	<u>(2,931,706)</u>	<u>(2,208,740)</u>	<u>(584,744)</u>	<u>710,073</u>
	Reinsurance	<u>2,990,459</u>	<u>3,446,432</u>	<u>(1,184,839)</u>	<u>(997,004)</u>	<u>(655,510)</u>	<u>609,079</u>
	Total	<u>8,748,900</u>	<u>9,881,695</u>	<u>(4,116,545)</u>	<u>(3,205,744)</u>	<u>(1,240,254)</u>	<u>1,319,152</u>
	2006						
	Direct Insurance						
	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>

2 Geographical Analysis

	2007	2006
Direct Gross Premium Written in:		
United Kingdom	5,758,441	7,666,046
Other EU Member States	-	-
Rest of the World	-	-
	<hr/>	<hr/>
	£5,758,441	£7,666,046
	<hr/>	<hr/>

3 Net Operating Expenses

Acquisition costs	2,084,831	2,707,447
Change in deferred acquisition costs	281,060	(102,412)
Administrative expenses	1,059,396	921,204
(Profit)/Loss on exchange	(88,221)	170,531
Reinsurers commissions and profit participations	(131,322)	(54,453)
	<hr/>	<hr/>
	£3,205,744	£3,642,317
	<hr/>	<hr/>

4 Investment Income

Income from investments	574,193	535,525
Realised gains on investments	154,916	32,481
Bank deposit interest	142,357	34,999
	<hr/>	<hr/>
	£871,466	£603,005
	<hr/>	<hr/>

5 Investment Expenses and Charges

Investment management expenses	12,690	10,354
Losses on the realisation of investments	65,257	37,343
	<hr/>	<hr/>
	£77,947	£47,697
	<hr/>	<hr/>

6 Profit on Ordinary Activities before Taxation

This is stated after charging/(crediting)

Directors remuneration	£	-	£	-
Auditors' remuneration - audit of the Financial Statements	£	1,100	£	1,000
- taxation services	£	800	£	650
- company secretarial services	£	500	£	500
- advisory services	£	500	£	500
Amortisation of syndicate capacity	£	19,760	£	44,323
Profit on sale and syndicate capacity	£	(231,527)	£	(612,078)
Charge for Funds at Lloyd's (see Note 22)	£	896,666	£	2,731,063
	<hr/>		<hr/>	

The Company has no employees

7 Taxation

2007

2006

Analysis of Charge in Period

Current tax

UK corporation tax on profit of the period

10,723

1,095

Adjustment in respect of previous period

14,106

(916)

Foreign tax

24,829

179

528

(135,202)

Total current tax

25,357

(135,023)

Deferred tax

Origination and reversal of timing differences

421,432

(41,687)

Double tax relief

-

120,000

Effect of decreased tax rate on opening liability

(8,826)

-

£437,963

£(56,170)

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

£1,438,279

£(25,887)

Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 - 30%)

431,484

(7,766)

Effects of

Expenses not deductible for tax purposes

7,466

(23,822)

Timing difference on underwriting profits

(355,575)

(126,680)

Other timing differences

14,914

(28,460)

Foreign tax

528

(135,202)

Adjustments in respect of prior periods

14,106

(916)

Trading losses utilised

(79,689)

186,728

Income not taxable

(7,877)

1,095

Current tax charge for period

£25,357

£(135,023)

Factors that may affect future tax charges

The results of the Company's participation on the 2005, 2006 and 2007 years of account and the calendar year movement on 2004 and prior run-offs, will not be assessed to tax until the year ended 31 December 2008, 2009 and 2010 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 company has trading losses of £310,000 (2006 - £575,000) available for carry forward against future trading profits which, are anticipated to be utilised to significantly reduce tax payments in future years and have therefore been taken into account in calculating the deferred tax charge

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	2007
Cost	
At 1 January 2007	359,182
Additions	-
Disposals	(53,329)
	<hr/>
At 31 December 2007	305,853
	<hr/>
Amortisation	
At 1 January 2007	316,003
Provided during the year	19,760
Disposals	(45,990)
	<hr/>
At 31 December 2007	289,773
	<hr/>
Net Book Value	
At 31 December 2007	£16,080
	<hr/>
At 31 December 2006	£43,179
	<hr/>

9 Investments

Other Financial Investments - Syndicate

	2007		2006	
	Market value	Cost	Market value	Cost
Shares and other variable yield securities and units in unit trusts	853,170	772,879	1,120,819	1,068,403
Debt securities and other fixed income securities	10,228,197	9,843,028	8,706,270	8,701,712
Participation in investment pools	114,725	104,927	78,787	75,532
Other loans	169,954	169,374	234,348	234,300
Deposits with credit institutions	345,898	345,369	222,403	222,751
Other	2,509	2,502	2,172	2,747
Overseas deposits	5,333	5,333	194,268	194,268
	<u>£11,719,786</u>	<u>£11,243,412</u>	<u>£10,559,067</u>	<u>£10,499,713</u>
Listed investments included within the above	<u>£11,081,367</u>	<u>£10,615,907</u>	<u>£9,827,089</u>	<u>£9,770,115</u>

Other Financial Investments - Corporate

Shares and other variable yield securities and units in unit trusts	352,379	181,335	405,636	155,080
	<u>£352,379</u>	<u>£181,335</u>	<u>£405,636</u>	<u>£155,080</u>
Listed investments included within the above	<u>£352,379</u>	<u>£181,335</u>	<u>£405,636</u>	<u>£155,080</u>

10 Other Debtors

	2007			2006		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Taxes recoverable	-	-	-	-	256,123	256,123
Other	1,205,367	442,693	1,648,060	1,065,506	962,567	2,028,073
	<u>£1,205,367</u>	<u>£442,693</u>	<u>£1,648,060</u>	<u>£1,065,506</u>	<u>£1,218,690</u>	<u>£2,284,196</u>

Other debtors includes £412,894 (2006 - £419,214) 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

	2007			2006		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Lloyd's deposit	-	1,278,880	1,278,880	-	1,124,906	1,124,906
Cash at bank	2,498,095	16,246	2,514,341	1,362,237	81,353	1,443,590
	<u>£2,498,095</u>	<u>£1,295,126</u>	<u>£3,793,221</u>	<u>£1,362,237</u>	<u>£1,206,259</u>	<u>£2,568,496</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

	2007	2007	2006	2006
	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

	2007		
	Syndicate Participation	Corporate	Total
Retained profit brought forward	849,143	(490,472)	358,671
Profit for the financial year	2,036,082	(1,035,766)	1,000,316
Transfer	(836,448)	836,448	-
	<u>£2,028,777</u>	<u>£(689,790)</u>	<u>£1,358,987</u>

14 Reconciliation of Movements in Shareholders' Funds

	2007	2006
Opening shareholders funds	359,171	328,888
Profit for the financial year	1,000,316	30,283
	<u>£1,359,487</u>	<u>£359,171</u>
Closing shareholders' funds		

15 Deferred Taxation	2007	2006
Opening balance	132,394	54,081
Profit and loss account	412,606	78,313
	<hr/>	<hr/>
Closing balance	£545,000	£132,394
	<hr/>	<hr/>
Analysing Provision for Deferred Taxation	2007	2006
Timing difference arising from the taxation of underwriting profits	574,109	254,742
Other timing differences	37,824	(122,348)
Taxable losses	(66,933)	-
	<hr/>	<hr/>
	£545,000	£132,394
	<hr/>	<hr/>

16 Other Creditors	2007			2006		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Other creditors	1,974,826	50,894	2,025,720	1,776,071	66,212	1,842,283
Proprietors' loan account	-	1,903,465	1,903,465	-	3,062,977	3,062,977
Corporation tax	-	10,723	10,723	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	£1,974,826	£1,965,082	£3,939,908	£1,776,071	£3,129,189	£4,905,260
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

17 Reconciliation of Operating Profit/(Loss) to Net Cash Inflow/(Outflow) from Operating Activities	2007	2006
Operating profit/(loss)	1,438,279	(25,887)
Interest and dividends received – non technical account	(168,614)	(45,947)
Unrealised gain on corporate investments	-	(94,867)
Loss on sale of corporate investments	49,714	-
Increase(Decrease) in creditors	168,015	(559,876)
Increase in debtors	(23,479)	(419,081)
Underwriting results	(1,199,634)	(461,269)
Amortisation of syndicate capacity	19,760	44,323
(Profit)/loss on sale of syndicate capacity	(231,527)	(612,078)
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	£52,514	£(2,174,682)
	<hr/>	<hr/>

18 Movement in Opening and Closing Portfolio Investments Net of Financing

	2007	2006
Net cash inflow from the year	88,867	566,054
Cash flow – portfolio investments	25,799	-
Movement arising from cash flows	59,068	566,054
Changes in market value and exchange rates	(49,714)	94,867
Non cash transactions	26,256	5,164
Total movement in portfolio investments net of financing	35,610	666,085
Balance brought forward at 1 January	1,611,895	945,810
Balance carried forward at 31 December	£1,647,505	£1,611,895

19 Movement in Cash, Portfolio Investments and Financing

	At 1 January 2007	Non Cash Transactions	Cash flow	Changes to market value and currencies	At 31 December 2007
Cash at bank and in hand	1,206,259	-	88,867	-	1,295,126
Portfolio investments					
Shares and other variable yield securities and units in unit trusts	405,636	26,256	(29,799)	(49,714)	352,379
Total portfolio investments	405,636	26,256	(29,799)	(49,714)	352,379
Total cash, portfolio Investments and financing	£1,611,895	£26,256	£59,068	£(49,714)	£1,647,505

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 £3,586,160 (2006 £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	2008	2007	2006	2005
		Allocated capacity per underwriting year			
		£'000	£'000	£'000	£'000
33	Hiscox Syndicates Limited	960	1,355	1,290	1,067
218	Cox Syndicate Management Limited	-	-	370	400
510	R J Kiln & Company Limited	960	1,738	1,478	1,291
557	R J Kiln & Company Limited	900	1,301	802	505
570	Atrium Underwriting limited	625	625	750	750
609	Atrium Underwriters Limited	400	400	400	400
623	Beazley Furlonge Limited	900	1,043	1,006	800
727	S A Meacock & Company Limited	700	700	700	700
779	Jubilee Syndicate Management Limited	118	150	132	125
780	Advent Underwriting Limited	-	-	-	200
807	R J Kiln & Co Limited	-	-	715	750
958	Omega Underwriting Agents Limited	600	888	888	900
2010	Cathedral Underwriting Limited	300	375	313	-
2020	Wellington Underwriting Agencies Limited	-	-	1,096	886
2791	Managing Agency Partners Limited	1,005	1,308	1,137	927
6103	Argenta MAP	-	100	-	-
		<u>£7,468</u>	<u>£9,983</u>	<u>£11,077</u>	<u>£9,701</u>

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
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 £473,330 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 2007 they and Myrtledare Corp have provided funding of £NIL (2006 - £25,000) and made charges of £896,667 (2006 - £2,731,063) for providing Funds at Lloyd's on behalf of the company. During 2007 £2,056,179 (2006 - £NIL) was repaid and included within creditors at 31 December 2007 is £1,903,465 (2006 - £3,062,977) 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.

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.