

Company registration number (England and Wales): 3829477

REGISTRAR OF
COMPANIES

KILLYGOWAN LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

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KILLYGOWAN LIMITED

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KILLYGOWAN LIMITED

COMPANY INFORMATION

COMPANY PERSONNEL

Directors	Lord Abercorn Nomina Plc
Company Secretary	Hampden Legal Plc

COMPANY ADDRESSES

Registered office	c/o Nomina Plc 85 Gracechurch Street London EC3V 0AA
Member's agent	Hampden Private Capital Limited 85 Gracechurch Street London EC3V 0AA
Auditors	Humphrey & Co 7 - 9 The Avenue Eastbourne East Sussex BN21 3YA
Solicitors	Morton Fraser 30-31 Queen Street Edinburgh EH2 1JX

KILLYGOWAN LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

The directors have pleasure in presenting their report together with the financial statements for the year ended 31 December 2008.

Results and dividends

The profit for the year after taxation was £109,403 (2007 profit £154,070). Interim dividends of £75,000 (2007: £99,387) were paid during the year. The directors do not recommend the payment of a final dividend.

Principal activities and review of the business

The principal activity of the Company in the year under review was that of a corporate underwriting member of Lloyd's. The Company commenced underwriting with effect from 1 January 2000.

The result for the year is in respect of the 2008 annual accounting year, which consists of movements in the 2006, 2007 and 2008 years of account as well as any 2005 and prior run-off years. Gross premiums written increased to £1,007,425 compared to the previous year's figure of £952,266 but the overall balance on the technical account decreased from £207,936 to £159,080 as a result of the level of claims experienced.

The company's reserves continue to improve and the total capital and reserves at the year end was £168,718.

The company has continued to underwrite on the 2009 underwriting account where the market conditions are considered favourable for a profitable outcome subject to the level of claims experienced.

The key business risks and uncertainties affecting the company are considered to relate to insurance risk, investment and currency risk and regulatory risk.

Directors and directors' interests

The directors who held office at any time during the year are listed below:

Lord Abercorn

Nomina Plc

Auditors

Messrs. Humphrey & Co, having signified their willingness to continue in office, will be proposed for re-appointment in accordance with section 386 of the Companies Act 1985.

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant financial information of which the auditors are unaware.

Approved by the Board on  2009 and signed on its behalf by:


Lord Abercorn
Director

KILLYGOWAN LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 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 preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records 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.

The directors 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.

KILLYGOWAN LIMITED

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF KILLYGOWAN LIMITED

We have audited the financial statements of Killygowan Limited on pages 5 to 22 for the year ended 31 December 2008. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 3 the company's directors are responsible for the preparation of the Annual Report and 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 if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

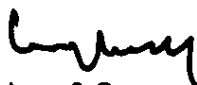
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985;
- the information given in the directors report is consistent with the financial statements.



Humphrey & Co
Chartered Accountants
Registered Auditors

7-9 The Avenue
Eastbourne
East Sussex
BN21 3YA

11 September 2009

KILLYGOWAN LIMITED**PROFIT AND LOSS ACCOUNT - TECHNICAL ACCOUNT (GENERAL BUSINESS)
FOR THE YEAR ENDED 31 DECEMBER 2008**

	Note	2008 £	2007 £
Gross premiums written	2	1,007,425	952,266
Outward reinsurance premiums		(178,440)	(163,814)
Net premiums written		828,985	788,452
Change in the provision for unearned premiums			
Gross provision		(5,001)	28,534
Reinsurers' share		7,171	(3,770)
Net change in the provision for unearned premiums		2,170	24,764
Earned premiums net of reinsurance		831,155	813,216
Allocated investment income	4	41,529	87,387
Claims paid			
Gross amount		(577,337)	(549,576)
Reinsurers' share		102,346	145,564
Net claims paid		(474,991)	(404,012)
Change in provision for claims			
Gross amount		(108,938)	101,865
Reinsurers' share		39,786	(113,773)
Net change in provision for claims		(69,152)	(11,908)
Claims incurred net of reinsurance		(544,143)	(415,920)
Net operating expenses	5	(167,643)	(274,527)
Investment expenses and charges		(1,818)	(2,220)
Balance on technical account for general business		159,080	207,936

KILLYGOWAN LIMITED

PROFIT AND LOSS ACCOUNT - NON TECHNICAL ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 £	2007 £
Balance on the general business technical account		159,080	207,936
Investment income	6	2,918	1,891
Other income	7	1,938	-
Other charges		(28,519)	(14,723)
Profit on ordinary activities before taxation	8	135,417	195,104
Tax on profit on ordinary activities	17	(26,014)	(41,034)
Profit for the financial year		109,403	154,070

The company has no recognised gains or losses other than the profit for the financial years stated above.

All amounts above relate to continuing operations.

KILLYGOWAN LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2008

ASSETS	Note	Syndicate Assets £	Corporate £	2008 Total £	2007 Total £
Intangible assets					
Syndicate participation rights	9	-	10,078	10,078	4,112
Investments					
Financial investments	10	1,504,691	-	1,504,691	1,364,163
Deposits with ceding undertakings		768	-	768	663
Total investments		1,505,459	-	1,505,459	1,364,826
Reinsurers' share of technical provisions					
Provision for unearned premiums		49,749	-	49,749	37,352
Claims outstanding		356,768	-	356,768	295,634
Other technical provisions		121,359	-	121,359	80,804
Total reinsurers' share of technical provisions		527,876	-	527,876	413,790
Debtors					
Arising out of direct insurance operations	11				
Policyholders		2,210	-	2,210	1,839
Intermediaries		263,905	-	263,905	192,898
Arising out of reinsurance operations	11	50,690	-	50,690	58,174
Other debtors	12	321,448	309,543	630,991	500,262
Total debtors		638,253	309,543	947,796	753,173
Other assets					
Cash at bank	13	294,030	48,564	342,594	271,144
Other		1,525	-	1,525	1,626
Total other assets		295,555	48,564	344,119	272,770
Prepayments and accrued income					
Accrued interest		6,917	-	6,917	8,878
Deferred acquisition costs		102,711	-	102,711	90,188
Other prepayments and accrued income		6,461	-	6,461	4,004
Total prepayments and accrued income		116,089	-	116,089	103,070
Total assets		3,083,232	368,185	3,451,417	2,911,741

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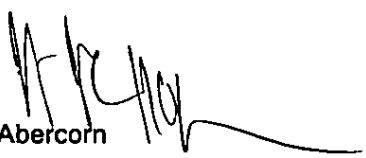
KILLYGOWAN LIMITED**BALANCE SHEET (continued)
AS AT 31 DECEMBER 2008**

	Note	Syndicate Liabilities £	Corporate £	2008 Total £	2007 Total £
LIABILITIES					
Capital and reserves					
Called-up share capital	14	-	200	200	200
Share premium account	15	-	-	-	-
Profit and loss account	15	-	168,518	168,518	134,115
Shareholder's funds attributable to equity interests	16	-	168,718	168,718	134,315
Technical provisions					
Provision for unearned premiums		655,046	-	655,046	601,626
Claims outstanding - gross amount		2,099,694	-	2,099,694	1,728,755
Total technical provisions		2,754,740	-	2,754,740	2,330,381
Provisions for other risks and charges					
Provision for taxation	17	-	62,239	62,239	41,566
Deposits received from reinsurers		-	-	-	-
Creditors					
Arising out of direct insurance operations		66,808	-	66,808	80,851
Arising out of reinsurance operations		140,857	-	140,857	82,487
Amounts due to credit institutions		269	-	269	184
Other creditors	18	108,138	137,228	245,366	230,501
Total creditors		316,072	137,228	453,300	394,023
Accruals and deferred income					
Other accruals and deferred income		12,420	-	12,420	11,456
Total liabilities		3,083,232	368,185	3,451,417	2,911,741

Approved by the Board on

21/8/09

2009 and signed on its behalf by:


 Lord Abercorn
 Director

KILLYGOWAN LIMITED**CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 2008**

	Note	2008 £	2007 £
Net cash inflow from operating activities	19	138,708	136,935
Returns on investments and servicing of finance			
Interest received		2,918	1,891
Dividends received		-	-
Dividends paid		(75,000)	(99,387)
Net cash outflow from returns on investments and servicing of finance		(72,082)	(97,496)
Taxation			
UK corporation tax paid		(17,062)	-
Foreign tax paid		(466)	(72)
Net cash outflow from taxation		(17,528)	(72)
Capital expenditure and financial investment			
Purchase of syndicate participation rights		(7,337)	(4,112)
Proceeds from sale of syndicate participation rights		-	-
Purchase of investments		-	-
Proceeds from sale of investments		-	-
Net cash outflow from capital expenditure and financial investment		(7,337)	(4,112)
Net cash inflow before financing		41,761	35,255
Financing			
Funds lent to/(withdrawn from) the company by the company's shareholders		-	(35,180)
Net cash inflow/(outflow) from financing		-	(35,180)
Increase in cash		41,761	75
Net funds at 1 January		6,803	6,728
Increase in cash in the year		41,761	75
Net funds at 31 December		48,564	6,803

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 the Syndicates at Lloyd's.

KILLYGOWAN LIMITED

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2008

1 Accounting policies

1.1 Basis of preparation

The Financial Statements have been prepared in accordance with Section 255 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 2005. They are prepared under the historical cost basis of accounting modified to include the revaluation of investments, and comply with applicable accounting standards.

Basis of accounting

The technical account has been prepared on an annual basis of accounting, whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums net of re-insurance. Amounts reported in the technical account relate to movements in the period in respect of all relevant years of account of the Syndicates on which the company participates.

Accounting information in respect of the Syndicate participations has been provided by the Syndicate managing agents through an information exchange facility operated by Lloyd's and has been reported on by the Syndicate auditors.

Assets and liabilities arising as a result of the underwriting activities are mainly controlled by the Syndicates' managing agents and are shown separately on the Balance Sheet as "Syndicate Assets" and "Syndicate Liabilities". The assets are held subject to trust deeds for the benefit of the Syndicates' insurance creditors.

In continuing to apply the going concern basis to this Company's Financial Statements the following factors have been taken into account: the likely timing of any underwriting and non-underwriting cash flows, any Funds at Lloyd's supporting the Company's underwriting and not reflected in the Company's Balance Sheet and the continued support of the Directors and Shareholders including the potential deferral of balances due to them.

General business

i Premiums

Gross premiums are accounted for in the period in which the risk commences, together with adjustments to premiums written in previous accounting periods. Future premiums relating to risks commencing in the period are based upon estimates made by the Syndicates' management. Other adjustments are accounted for as arising.

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.

KILLYGOWAN LIMITED

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2008

v Claims

Provision is made for the estimated cost of claims outstanding at the end of the year, including those incurred but not reported at that date, and for the related cost of settlement. Claims incurred comprise amounts paid or provided in respect of claims occurring during the current year, together with the amount by which settlement or reassessment of claims from previous years differs from the provision at the beginning of the year.

The claims provision determined by the managing agent will have been based on information that was currently available at the time. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided and will be reflected in the financial statements for the period in which the adjustment is made.

vi 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.

vii 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.

viii Investments and allocated investment income

In accordance with Lloyd's current accounting practice, investments are stated at market value, including accrued interest at the Balance Sheet date. Investment income is included in the General Business Technical Account reflecting that earned on the investment portfolio managed by the Syndicates. The allocated investment income therefore comprises income received and investment profits and losses arising in the calendar year including appreciation/depreciation and accrued interest consequent upon the revaluation of investments at 31 December. All gains and losses on investments are treated as realised at the Balance Sheet date.

KILLYGOWAN LIMITED

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2008

ix Basis of currency translation

Syndicates maintain separate funds in Sterling, United States and Canadian dollars, and may also do so in certain other currencies. All transactions where separate currencies are maintained are translated into Sterling at the rates of exchange ruling at the Balance Sheet date. Transactions during the year in other overseas currencies are expressed in Sterling at the rates ruling at the transaction date.

x 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. 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.

xi 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.

1.2 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.

1.3 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 assets and amortised over a 3 year period beginning with the respective year of Syndicate participation.

1.4 Investments

Investments held directly by the company, by trustees of the Premium Trust Fund, or as the Lloyd's Deposit, are stated at market value.

KILLYGOWAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

2 Class of business	Gross written premiums £	Gross premiums earned £	Gross claims incurred £	Operating expenses £	Reinsurance balance £
2008	£	£	£	£	£
Direct					
Accident and health	20,753	21,298	(7,210)	(6,537)	11
Motor - third party liability	17,013	15,907	(11,603)	(3,294)	746
Motor - other classes	103,587	105,605	(79,916)	(23,768)	(1,700)
Marine, aviation and transport	110,690	111,841	(96,146)	(20,940)	6,661
Fire and other damage to property	210,828	209,640	(148,372)	(44,133)	(6,968)
Third party liability	192,435	193,213	(132,450)	(34,360)	4,197
Credit and suretyship	13,001	12,885	(4,048)	(3,314)	(2,106)
Other	4,466	3,937	(1,781)	(1,269)	(47)
Total direct	672,773	674,326	(481,526)	(137,615)	794
Reinsurance business					
Reinsurance balance	334,652	328,098	(204,749)	(30,028)	(29,931)
Total	1,007,425	1,002,424	(686,275)	(167,643)	(29,137)
2007	£	£	£	£	£
Direct					
Accident and health	21,980	23,962	(11,149)	(8,416)	(1,004)
Motor - third party liability	13,171	12,093	(7,639)	(3,182)	(1,103)
Motor - other classes	103,600	97,379	(68,681)	(26,049)	(4,440)
Marine, aviation and transport	103,737	108,545	(42,147)	(28,275)	(23,605)
Fire and other damage to property	202,585	210,252	(88,292)	(70,045)	(24,500)
Third party liability	197,586	205,834	(99,770)	(58,385)	(16,297)
Credit and suretyship	12,756	13,402	(1,346)	(2,451)	(2,453)
Other	4,086	3,873	(7,809)	(1,497)	(173)
Total direct	659,501	675,340	(326,833)	(198,300)	(73,575)
Reinsurance business					
Reinsurance balance	292,765	305,460	(120,878)	(76,227)	(62,218)
Total	952,266	980,800	(447,711)	(274,527)	(135,793)

Any open year loss provisions, stop loss premiums and stop loss recoveries have been allocated across the classes of business by reference to the gross premiums written.

KILLYGOWAN LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
FOR THE YEAR ENDED 31 DECEMBER 2008

3	Geographical analysis	2008	2007
		£	£
	Direct gross premiums written in:		
	United Kingdom	1,007,425	952,266
	Other EU member states	-	-
	The rest of the world	-	-
	Total	1,007,425	952,266
4	Allocated investment income	2008	2007
		£	£
	Investment income	31,833	78,159
	Realised gain on investments	9,696	9,228
	Total	41,529	87,387
5	Net operating expenses	2008	2007
		£	£
	Acquisition costs	202,354	172,947
	Administrative expenses	89,772	115,072
	Profit on exchange	(124,483)	(13,492)
	Total	167,643	274,527

KILLYGOWAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2008

6	Investment income	2008 £	2007 £
	Income from other investments (including interest receivable)	2,918	1,891
	Realised gain from other investments	-	-
	Unrealised gain from other investments	-	-
	Total	2,918	1,891

7	Other income	2008 £	2007 £
	Profit on sale of syndicate participation rights	-	-
	Other	1,938	-
	Total	1,938	-

8	Profit on ordinary activities before taxation	2008 £	2007 £
	This is stated after charging:		
	Auditor's remuneration - audit	625	625
	Auditor's remuneration - other	965	985
	Amortisation of syndicate capacity	1,371	6,522

The company has no employees.

KILLYGOWAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2008

9	Intangible assets	Syndicate Participation Rights £
	Cost	
	At 1 January 2008	51,412
	Additions	7,337
	Disposals	-
	At 31 December 2008	58,749
	Amortisation	
	At 1 January 2008	47,300
	Charge for the year	1,371
	Impairment losses	-
	Disposals	-
	At 31 December 2008	48,671
	Net book value	
	At 31 December 2008	10,078
	At 31 December 2007	4,112

10	Investments: Financial investments	Syndicate £	Corporate £	2008 Total £	2007 Total £
	<i>At market value</i>				
	Shares and other variable yield securities	154,144	-	154,144	117,886
	Debt securities and other fixed income securities	1,295,673	-	1,295,673	1,156,923
	Participation in investment pools	26,967	-	26,967	15,774
	Loans guaranteed by mortgage	3,302	-	3,302	-
	Other loans	4,081	-	4,081	9,539
	Deposits with credit institutions	16,492	-	16,492	58,174
	Other	4,032	-	4,032	5,867
	Total	1,504,691	-	1,504,691	1,364,163

The corporate investments held include £Nil (2007: £Nil) at market value in respect of Lloyd's deposits that are held in accordance with the constraints detailed in note 20.

KILLYGOWAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2008

10 Investments: Financial investments (continued)

	Syndicate	Corporate	2008 Total	2007 Total
	£	£	£	£
<i>At cost</i>				
Shares and other variable yield securities	166,370	-	166,370	106,793
Debt securities and other fixed income securities	1,311,202	-	1,311,202	1,125,191
Participation in investment pools	28,945	-	28,945	12,184
Loans guaranteed by mortgage	4,006	-	4,006	-
Other loans	4,076	-	4,076	9,509
Deposits with credit institutions	16,492	-	16,492	58,088
Other	4,699	-	4,699	6,130
Total	1,535,790	-	1,535,790	1,317,895

11 Debtors arising out of direct insurance and reinsurance operations

	Syndicate	Corporate	2008 Total	2007 Total
	£	£	£	£
The following amounts are due after one year:				
Direct insurance operations	114,295	-	114,295	44,093
Reinsurance operations	2,819	-	2,819	982
Total	117,114	-	117,114	45,075

12 Other debtors

	Syndicate	Corporate	2008 Total	2007 Total
	£	£	£	£
Deferred tax	-	-	-	-
Other	321,448	309,543	630,991	500,262
Total	321,448	309,543	630,991	500,262

Corporate other debtors includes £52,843 (2007: £150,461) due to the company after more than one year.
Syndicate other debtors includes £9,111 (2007: £Nil) due to the company after more than one year.

13 Cash at bank

	Syndicate	Corporate	2008 Total	2007 Total
	£	£	£	£
Lloyd's deposit	193,960	7,049	201,009	192,466
Cash at bank and in hand	100,070	41,515	141,585	78,678
Total	294,030	48,564	342,594	271,144

Any Lloyd's deposit is held in accordance with the constraints detailed in note 20.

KILLYGOWAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2008

14	Share capital	2008 £	2007 £
	<i>Authorised</i>		
	100,000 Ordinary shares of £1.00 each	100,000	100,000
	<i>Allotted, called up and fully paid</i>		
	200 Ordinary shares of £1.00 each	200	200
15	Statement of movements on reserves	Share premium account £	Profit and loss account £
	At 1 January 2008	-	134,115
	Profit during the year	-	109,403
	Dividends	-	(75,000)
	At 31 December 2008	-	168,518
16	Reconciliation of movements in shareholders' funds	2008 £	2007 £
	Retained profit for the financial year	34,403	54,683
	Proceeds from the issue of shares	-	-
	Net addition to shareholders' funds	34,403	54,683
	Opening shareholders' funds	134,315	79,632
	Closing shareholders' funds	168,718	134,315
17	Taxation	2008 £	2007 £
	<i>Analysis of charge in year</i>		
	<i>Current tax</i>		
	UK Corporation Tax on profits of the year	7,351	19,538
	Adjustments in respect of prior years	(2,476)	-
	Foreign tax	466	72
	Total current tax	5,341	19,610

KILLYGOWAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2008

17 Taxation (continued)	2008 £	2007 £
<i>Analysis of charge in year</i>		
<i>Deferred tax</i>		
Origination and reversal of timing differences	20,798	18,777
Changes in tax rates	(125)	2,647
Adjustment to the estimated recoverable amounts of deferred tax assets arising in prior years	-	-
Other items	-	-
Total deferred tax	20,673	21,424
Tax on profit on ordinary activities	26,014	41,034

Factors affecting tax charge for the year

The tax assessed for the year is lower (2007 - lower) than the standard rate of Corporation Tax in the UK of 21.00% (2007 - 20.00%). The differences are explained below:

	2008 £	2007 £
Profit on ordinary activities before taxation	135,417	195,104
Profit on ordinary activities before taxation multiplied by the standard rate of Corporation Tax in the UK of 21.00% (2007 - 20.00%).	28,438	39,021
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	-
Timing differences arising from the taxation of the underwriting results	(20,798)	(18,777)
Timing differences arising from the taxation of syndicate participation movements	-	-
Tax losses carried forward/(Utilisation of tax losses)	-	(634)
Adjustments to tax charge in respect of prior periods	(2,476)	-
Other adjustments	177	-
Current tax charge for the year	5,341	19,610

Factors that may affect future tax charges

The company has trading losses of £Nil (2007 - £Nil) available for carry forward against future trading profits.

KILLYGOWAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2008

17 Taxation (continued)	2008 £	2007 £
<i>Provision for deferred tax</i>		
At 1 January 2008	41,566	-
Charge to the profit and loss account	20,673	41,566
Released or utilised in the year	-	-
At 31 December 2008	62,239	41,566

Full provision has been made for all timing differences apart from the recovery of taxation losses against future trading profits, which cannot be prudently anticipated at this time.

The deferred tax asset not provided for in respect of Corporation Tax losses, and deferred tax losses not yet assessable to Corporation Tax, amounted to £Nil (2007 - £Nil).

18 Other creditors	Syndicate £	Corporate £	2008 £	2007 £
Other creditors	108,138	129,877	238,015	210,963
Social security costs	-	-	-	-
Corporation tax	-	7,351	7,351	19,538
Shareholders' loan account	-	-	-	-
	108,138	137,228	245,366	230,501

The above shareholders' loan has been included in the related party transactions note 21.

19 Reconciliation of operating profit before interest to net cash inflow from operating activities	2008 £	2007 £
Operating profit before interest	132,499	193,213
Current year result not distributable in year	(159,080)	(207,936)
Prior year result distributable in year	60,041	108,818
Loss on sale of syndicate participation rights	-	-
Increase/(Decrease) in creditors	69,540	(20,934)
Decrease in debtors	34,337	57,252
Amortisation and impairment of syndicate participation rights	1,371	6,522
Net cash inflow from operating activities	138,708	136,935

KILLYGOWAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2008

20 Fund's at Lloyd's

Cash balances of £7,049 (2007: £6,737) detailed in note 13 and investments of £Nil (2007: £Nil) detailed in note 10 are held within the company's Lloyd's deposit.

The Lloyd's deposit represents funds 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 legal agreement with Lloyd's which gives the Corporation the right to apply these funds in settlement of any claims arising from the company's participation on Lloyd's Syndicates. These funds 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.

In addition to these amounts, the shareholders of the company have also made available to Lloyd's assets amounting to approximately £450,000 (2007: £559,000) which are also used by the company to support its Lloyd's underwriting. These funds are also available to Lloyd's to meet the personal underwriting liabilities of the shareholders for underwriting years prior to the commencement of trading by the company.

21 Related party transactions

Lord Abercorn is the controlling director and shareholder of the company. During 2008 he provided funding of £Nil (2007 - £6,018) and withdrew funding of £Nil (2007 - £41,198). Included within creditors at 31 December 2008 is £Nil (2007 - £Nil) which is due to Lord Abercorn. This amount is shown separately in note 18 under Shareholders' loan account. No interest is chargeable on the amount outstanding.

KILLYGOWAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2008

22 Syndicates

The company is or was an Underwriting Member of the following Syndicate(s) or MAPA's:

Syn. No.	Managing agent	2009 Allocated Capacity	2008 Allocated Capacity	2007 Allocated Capacity	2006 Allocated Capacity *
0033	Hiscox Syndicates Limited	98,850	92,260	115,325	109,786
0218	Cox Syndicate Management Limited	67,865	63,131	63,131	60,125
0260	KGM Underwriting Agencies Limited	54,369	40,271	37,471	32,247
0318	Beaufort Underwriting Agency Limited	50,000	50,000	50,000	40,000
0386	Limit Underwriting Limited	64,001	64,001	64,001	64,001
0510	R J Kiln & Co Limited	115,379	107,683	134,603	114,498
0557	R J Kiln & Co Limited	30,000	-	-	-
0609	Atrium Underwriters Limited	83,889	90,489	90,489	90,489
0727	S A Meacock & Co Limited	49,370	49,370	49,370	49,370
0780	Advent Underwriting Limited	-	-	38,766	38,766
0958	Omega Underwriting Agents Limited	104,883	104,883	72,150	72,150
2010	Cathedral Underwriting Limited	74,981	74,981	74,981	62,500
2020	Wellington Underwriting Agencies Limited	-	-	-	109,589
2525	Abacus Syndicates Limited	34,522	34,522	34,522	41,097
2526	Abacus Syndicates Limited	33,127	33,127	33,127	33,127
2791	Managing Agency Partners Limited	102,311	61,379	70,585	61,373
6101	Argenta Syndicate Management	-	58,219	58,219	-
6103	Managing Agency Partners Limited	11,187	-	-	-
6104	Hiscox Syndicates Limited	38,513	38,513	-	-
6106	Amlin Underwriting Limited	22,897	-	-	-
7217	Hampden Agencies Limited	16,605	-	-	-
<i>* shading denotes year of account in run-off</i>		£ 1,052,749	£ 962,829	£ 986,740	£ 979,118

In addition the company is still participating on the following syndicates or MAPA's in run-off:

Syn. No.	Managing agent	Year of Account	Allocated Capacity
1007	SVB Syndicates Limited	2002	30,798
0340	St Paul Travelers Syndicate	2001	22,223
0340	St Paul Travelers Syndicate	2000	25,000