

Contents

Financial statements for
the year ended 31 December 2006

Llewellyn House Underwriting Limited

Director's report	1
Independent auditors' report	3
Technical account	4
Non-technical account	5
Balance sheet	6
Cash flow statement	8
Notes to the financial statements	9

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Llewellyn House Underwriting Limited

Company information

Director	J E Sparkes
Secretary	Argenta Secretariat Limited
Company number	3829481
Registered office	Fountain House 130 Fenchurch Street London EC3M 5DJ
Auditors	Mazars LLP 24 Bevis Marks London EC3A 7NR

Llewellyn House Underwriting Limited

Director's report For the year ended 31 December 2006

The director presents his report and financial statements for the year ended 31 December 2006

Statement of Director's responsibilities

Company law requires the director 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 period. In preparing those financial statements, the director is 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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.

Director

The following director has held office since 1 January 2006

J E Sparkes

Director's interests

The director's interest in the shares of the company was as stated below

	Ordinary shares of £ 1 each	
	31 December 2006	31 December 2005
J E Sparkes	200	200

Principal activities and review of the business

The principal activity of the company is to act as a corporate member of Lloyd's

The company continues to underwrite at Lloyd's for the 2007 year of account

Results for the year

The results for the year are set out on pages 4 and 5

Llewellyn House Underwriting Limited

Director's report

For the year ended 31 December 2006

Financial risk management objectives and policies

The company is principally exposed to financial risk through its participation on Lloyd's Syndicates. It has delegated sole management and control of its underwriting through each Syndicate to the managing agent of that Syndicate and it looks to the managing agents to implement appropriate policies, procedures and internal controls to manage each Syndicate's exposures to insurance risk, credit risk, market risk, liquidity risk and operational risk. The company is also directly exposed to these risks, but they are not considered material for the assessment of the assets, liabilities, financial position and profit or loss of the company.

Hedge accounting is not used by the company.

The director monitors the performance of the company by reference to its combined ratio (the ratio of net claims incurred, commissions and expenses to net premiums earned). The combined ratio for the financial year is set out below.

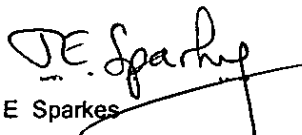
	31 December 2006	31 December 2005
Combined ratio	84%	115%

Auditors

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with section 386(1) of the Companies Act 1985. Therefore, the auditors, Mazars LLP, will be deemed to be reappointed for each succeeding financial year.

Approved by the Board on
and signed on its behalf by

22nd MAY 2007


J E Sparkes
Director

Llewellyn House Underwriting Limited

Independent auditors' report

To the members of Llewellyn House Underwriting Limited

We have audited the financial statements of Llewellyn House Underwriting Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of 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 auditors' 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 director and auditors

As described in the Statement of Director's responsibilities the company's director is responsible for the preparation of 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 the 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, whether the financial statements are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Director's Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and transactions with the company is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatement.

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 director 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 Director's Report is consistent with the financial statements.

Mazars LLP

CHARTERED ACCOUNTANTS

and Registered Auditors

24 Bevis Marks, London, EC3A 7NR

31 May 2007

Llewellyn House Underwriting Limited

Profit and Loss Account - Technical account - General business For the year ended 31 December 2006

	Notes	£	2006 £	£	2005 £
Earned premiums, net of reinsurance					
Gross premiums written	3		690,652		608,371
Outward reinsurance premiums	3		(118,028)		(103,924)
Net premiums written			<u>572,624</u>		<u>504,447</u>
Change in the provision for unearned premiums					
Gross amount			(28,157)		(92,036)
Reinsurers' share			4,904		6,130
			<u>(23,253)</u>		<u>(85,906)</u>
Earned premiums, net of reinsurance			<u>549,371</u>		<u>418,541</u>
Allocated investment return transferred from the non-technical account			35,718		26,770
Total technical income			<u>585,089</u>		<u>445,311</u>
Claims incurred, net of reinsurance					
Claims paid					
Gross amount	3	(391,904)		(271,667)	
Reinsurers' share	3	156,378		84,360	
Net claims paid		<u>(235,526)</u>		<u>(187,307)</u>	
Change in the provision for claims					
Gross amount	3	86,492		(314,602)	
Reinsurers' share	3	(128,411)		166,346	
Net change in the provision for claims		<u>(41,919)</u>		<u>(148,256)</u>	
Claims incurred, net of reinsurance			<u>(277,445)</u>		<u>(335,563)</u>
Net operating expenses	4		(182,096)		(143,908)
Total technical charges			<u>(459,541)</u>		<u>(479,471)</u>
Balance on the technical account for general business			<u>125,548</u>		<u>(34,160)</u>

Llewellyn House Underwriting Limited

Profit and Loss Account - Non-technical account For the year ended 31 December 2006

	Notes	2006 £	2005 £
Balance on the general business technical account		125,548	(34,160)
Investment income	5	39,626	34,162
Unrealised gains on investments		8,358	7,153
Investment expenses and charges	6	(8,416)	(6,055)
Unrealised losses on investments		(3,851)	(8,490)
Allocated investment return transferred to the general business technical account		(35,718)	(26,770)
Other finance income		3,985	741
Other income		37,987	-
Other charges		(26,444)	(4,862)
Profit/(loss) on ordinary activities before tax	7	141,075	(38,281)
Tax on profit/(loss) on ordinary activities	8	(56,312)	-
Profit/(loss) for the financial year	13	84,763	(38,281)

The company has no recognised gains or losses other than the profit or loss for the period

All items derive from continuing activities

In accordance with the amendment to the Financial Reporting Standard 3 "Reporting Financial Performance", the inclusion of unrealised gains and losses in the profit and loss account to reflect the marking to market of investments in the balance sheet is deemed not to be a material departure from the historical cost basis of accounting. Accordingly, a separate note of historical cost profits and losses is not given.

Llewellyn House Underwriting Limited

Balance Sheet As at 31 December 2006

		2006		2005			
	Notes	Syndicate £	Other £	Total Syndicate £	Other £	Total £	
ASSETS							
Intangible assets	9	-	6,773	6,773	-	13,678	13,678
Investments							
Other financial investments	10	788,648	-	788,648	700,884	-	700,884
Deposits with ceding undertakings		675	-	675	477	-	477
		<u>789,323</u>	<u>-</u>	<u>789,323</u>	<u>701,361</u>	<u>-</u>	<u>701,361</u>
Reinsurers' share of technical provisions							
Provision for unearned premiums		25,413	-	25,413	21,805	-	21,805
Claims outstanding		290,693	-	290,693	452,698	-	452,698
		<u>316,106</u>	<u>-</u>	<u>316,106</u>	<u>474,503</u>	<u>-</u>	<u>474,503</u>
Debtors							
Debtors arising out of direct insurance operations							
Due from policyholders		1,859	-	1,859	1,901	-	1,901
Due from intermediaries		149,425	-	149,425	181,487	-	181,487
Debtors arising out of reinsurance operations		103,309	-	103,309	92,077	-	92,077
Other debtors		46,582	50,276	96,858	68,949	6,833	75,782
		<u>301,175</u>	<u>50,276</u>	<u>351,451</u>	<u>344,414</u>	<u>6,833</u>	<u>351,247</u>
Other assets							
Cash at bank and in hand		106,501	373,342	479,843	135,443	4,752	140,195
Other		24	-	24	-	-	-
		<u>106,525</u>	<u>373,342</u>	<u>479,867</u>	<u>135,443</u>	<u>4,752</u>	<u>140,195</u>
Prepayments and accrued income							
Accrued interest and rent		5,633	3,349	8,982	4,764	10	4,774
Deferred acquisition costs		62,833	-	62,833	59,161	-	59,161
Other prepayments and accrued income		3,457	-	3,457	1,272	-	1,272
		<u>71,923</u>	<u>3,349</u>	<u>75,272</u>	<u>65,197</u>	<u>10</u>	<u>65,207</u>
Total assets		<u>1,585,052</u>	<u>433,740</u>	<u>2,018,792</u>	<u>1,720,918</u>	<u>25,273</u>	<u>1,746,191</u>

Llewellyn House Underwriting Limited

Balance Sheet As at 31 December 2006

		2006			2005		
	Notes	Syndicate £	Other £	Total £	Syndicate £	Other £	Total £
LIABILITIES							
Capital and reserves							
Called up share capital	11	-	200	200	-	200	200
Share premium account	12	-	117	117	-	117	117
Profit and loss account	12	-	14,003	14,003	-	(70,760)	(70,760)
Equity shareholders' funds	13	-	14,320	14,320	-	(70,443)	(70,443)
Technical provisions							
Provision for unearned premiums		286,162	-	286,162	272,681	-	272,681
Claims outstanding		1,010,016	-	1,010,016	1,275,534	-	1,275,534
		1,296,178	-	1,296,178	1,548,215	-	1,548,215
Provisions for other risks and charges	14	-	15,955	15,955	-	-	-
Deposits received from reinsurers		5,042	-	5,042	9,222	-	9,222
Creditors							
Creditors arising out of direct insurance operations		40,469	-	40,469	31,186	-	31,186
Creditors arising out of reinsurance operations		42,795	-	42,795	56,383	-	56,383
Amounts owed to credit institutions		4,134	-	4,134	417	-	417
Other creditors including taxation and social security	15	193,759	403,465	597,224	71,970	95,598	167,568
		281,157	403,465	684,622	159,956	95,598	255,554
Accruals and deferred income		2,675	-	2,675	3,525	118	3,643
Total liabilities		1,585,052	433,740	2,018,792	1,720,918	25,273	1,746,191

Approved by the Board of directors on
and signed on its behalf by

22nd MAY 2007

Director

D.E. Spink

Llewellyn House Underwriting Limited

Cash flow statement For the year ended 31 December 2006

	Note	£	2006 £	£	2005 £
Net cash inflow from operating activities	16(a)		326,386		5,630
Capital expenditure					
Payments to acquire intangible assets		(201)		(1,366)	
Proceeds from the sale of intangible assets		42,405		-	
			42,204		(1,366)
Increase in cash in the year			368,590		4,264
Cash flows were invested as follows					
Increase in cash holdings	16(b)		368,590		4,264
Increase in cash in the year			368,590		4,264
Movement in opening and closing portfolio investments net of financing					
Net cash inflow for the year			368,590		4,264
Total movement in portfolio investment net of financing			368,590		4,264
Portfolio at 1 January	16(b)		4,752		488
Portfolio at 31 December	16(b)		373,342		4,752

Note The amounts above exclude the cash flows of syndicate underwriting except to the extent that sums are paid to or received from the company or its own premiums trust fund

Llewellyn House Underwriting Limited

Notes to the financial statements For the year ended 31 December 2006

1 Basis of preparation of financial statements

1.1 Basis of preparation

The financial statements have been prepared in accordance with the provisions of Section 255 of and Schedule 9A to, the Companies Act 1985 ("the Act") and with the Statement of Recommended Accounting Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") in December 2005 (as amended in December 2006)

1.2 Recognition of insurance transactions

Preparing financial statements in accordance with Section 255 of, and Schedule 9A to, the Act has required the company to recognise its proportion of all the transactions undertaken by the Lloyd's syndicates in which it participates ("the Syndicates")

For each such Syndicate, the company's proportion of the underwriting transactions, investment return and operating expenses has been reflected within the company's profit and loss account. Similarly, its proportion of the Syndicate's assets and liabilities has been reflected in its balance sheet (under the column heading "Syndicate"). The Syndicate assets are held subject to trust deeds for the benefit of the company's insurance creditors.

The proportion referred to above is calculated by reference to the company's participation as a percentage of the Syndicate's total capacity.

The company has delegated sole management and control of its underwriting through each Syndicate to the managing agent of the Syndicate ("the Managing Agent") and it has further undertaken not to interfere with the exercise of such management and control. The Managing Agents of the Syndicates are therefore responsible for determining the insurance transactions to be recognised by the company. The only exception to this rule is the level of provision for outstanding claims. These provisions have been determined by the directors of the company (see 2.6 below).

1.3 Sources of data

The information used to compile the technical account and the "Syndicate" balance sheet is based on returns prepared for this purpose by the Managing Agents of the Syndicates ("the Returns"). These Returns have been subjected to audit by the Syndicate auditors and are based on the audited Syndicate returns to Lloyd's and the audited annual reports to Syndicate members.

The format of the Returns has been established by Lloyd's and Lloyd's has also been responsible for collating the data at a Syndicate level and analysing it into corporate member level results.

Llewellyn House Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2006

2 Accounting policies

2.1 Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of financial investments

2.2 Going concern

As at 31 December 2006 the company had net assets of £69,096 (2005 net liabilities of £70,443)

The director considers the company to be a going concern and has prepared the financial statements on that basis. The company is underwriting at Lloyd's for the 2007 year of account.

2.3 Basis of accounting for underwriting results

In June 2003, the EU Insurance Accounts Directive ("the Directive") was amended so that syndicates were no longer required to prepare accounts on the three year funded basis. Instead, the Directive now provides a framework that allows Lloyd's to use annual accounting for all aspects of reporting and the amendments to the Directive have been implemented in the UK by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004.

The transition by Lloyd's to the annual basis of accounting for the Returns and for its central Schedule 9A facility means that the annual accounting information is available to allow the financial statements of the company to be prepared on this basis.

2.4 Premiums

Premiums written comprise the total premiums receivable for the whole period of cover provided by the contracts incepting during the financial year, together with any adjustments arising in the year to such premiums receivable in respect of business written in prior years. Premiums are shown gross of commission payable to intermediaries and exclude insurance premium tax.

Gross premiums written may include "reinsurance to close" premiums receivable (see (2.8) below).

Outward reinsurance premiums may include "reinsurance to close" premiums payable (see (2.8) below).

Premiums written by a Syndicate may also include the reinsurance of other syndicates on which the company participates. No adjustments have been made to gross premiums written or outward reinsurance premiums (or to gross and reinsurers' claims) to remove this intersyndicate reinsurance.

Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

Llewellyn House Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2006

2 Accounting policies (continued)

2.5 Claims incurred

Claims incurred include the costs of claims handling expenses. Recoverable amounts arising out of subrogation or salvage are deducted from the cost of claims. Claims incurred comprise amounts paid or provided in respect of claims occurring during the year to 31 December, together with the amount by which settlement or reassessment of claims from prior years differ from the provision at the beginning of the year.

2.6 Provision for claims outstanding

Claims outstanding comprise amounts set aside for claims notified and claims incurred but not yet reported (IBNR). Provision is made for claims incurred but not paid in respect of events up to 31 December. The provision is based on the Returns and reports from the Managing Agents and the company's licensed adviser or Members' Agent. When appropriate, statistical methods have been applied to past experience of claims frequency and severity. The two most critical assumptions as regard 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 for current business are fair reflections of the likely level of ultimate claims to be incurred.

The director considers the provision for gross claims and related reinsurance recoveries, as based on the Returns to be fairly stated. 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 amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made.

2.7 Unexpired risk provision

A provision for unexpired risk is made by the underlying Syndicates where claims, related expenses and deferred acquisition costs, likely to arise after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

2.8 Reinsurance to close

A reinsurance to close is a particular type of reinsurance contract entered into by Lloyd's Syndicates. Under it, underwriting members (the reinsured members) who are members of a Syndicate for a year of account (the closed year), agree with underwriting members who comprise that or another syndicate for a later year of account (the reinsuring members) that the reinsuring members will indemnify, discharge or procure the discharge, of the reinsured members against all known and unknown liabilities of the reinsured members arising out of insurance business undertaken through that Syndicate and allocated to the closed year in consideration of

(a) a premium, and

(b) either

(i) the assignment, or agreement to assign, to the reinsuring members of all the rights of the reinsured members arising out of, or in connection with, that insurance business (including without limitation the right to receive all future premiums, reinsurances and other monies receivable in connection with that insurance business), or

(ii) an agreement by the reinsured members that the reinsuring members shall collect on behalf of the reinsured members the proceeds of all such rights and retain them for their own benefit so far as they are not applied in discharges of the liabilities of the reinsured members.

Where the reinsurance to close is between members on successive years of account of the same Syndicate, the managing agent has a duty to ensure both sets of members are treated equitably and to set the reinsurance to close with the intention that neither a profit nor a loss accrues to either group of members.

To the extent that the company participates on successive years of account of the same syndicate and there is a reinsurance to close between those years, the company has offset its share of the reinsurance to close received against its share of the reinsurance to close paid.

Llewellyn House Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2006

2 Accounting policies (continued)

2.8 Reinsurance to close (continued)

If the company has increased its participation from one year of account to the next, the reinsurance to close paid is eliminated, as a result of this offset, leaving an element of the reinsurance to close received. This reflects the fact that the company has assumed a greater proportion of the business of the Syndicate. If the company has reduced its participation from one year of account to the next, the reinsurance to close received is eliminated, leaving an element of the reinsurance to close paid. This reflects the reduction in the company's exposure to risks previously written by the Syndicate.

The reinsurance to close is technically a reinsurance contract and, as such, the payment of a reinsurance to close does not remove from members of that year of account ultimate responsibility for claims payable on risks they have written. If the reinsuring members under the reinsurance to close become insolvent and the other elements of the Lloyd's chain of security also fail, the reinsured members remain theoretically liable for the settlement of any outstanding claims.

However, payment of a reinsurance to close is conventionally accepted as terminating a reinsured member's participation on a Syndicate year of account and it is treated for accounts purposes as settling all the company's outstanding gross liabilities in respect of the business so reinsured.

2.9 Investments

Syndicate Where investments represent the company's share of syndicate investments, they are stated at current value at the balance sheet date. For this purpose, listed investments are stated at market value and deposits with credit institutions and overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

Other Listed investments held directly by the company, by the trustees of the Premiums Trust Fund, or as Lloyd's Deposit, are stated at market value. Unlisted investments held directly by the company are stated at cost less provision for any permanent diminution in value.

2.10 Investment return

Investment income comprises interest receivable and dividends received plus realised and unrealised gains on the disposal of investments. Realised gains and losses arise from the difference between proceeds and valuation at the previous year end, or cost if there has been no previous revaluation. Unrealised investment gains and losses are calculated as the difference between the valuation at the balance sheet date and the valuation at the last balance sheet date or purchase price, if acquired during the year.

Investment income is initially recorded in the non-technical account. All investment income arising on Syndicate participations is allocated to the technical account.

2.11 Net operating expenses

Operating expenses are recognised when incurred. They include the company's share of Syndicate operating expenses, the remuneration payable to Managing Agents (and the company's Members' Agent/licensed adviser) and the direct costs of membership of Lloyd's.

2.12 Foreign currencies

Transactions in United States dollars, Canadian dollars and Euros are translated at the rates of exchange ruling at the date the transaction is processed or at an appropriate average rate. Unless otherwise stated, transactions in currencies other than United States dollars, Canadian dollars and Euros are translated at the rate of exchange ruling at the date the transaction is processed.

Monetary assets and liabilities are retranslated into Sterling at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities at the balance sheet date are maintained at the rate of exchange ruling when the contract was entered into (or an appropriate average rate).

Exchange differences arising on translation are dealt with in the profit and loss account.

Llewellyn House Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2006

2 Accounting policies (continued)

2.13 Syndicate participation rights

Where the company has purchased the right to participate on Syndicates, the cost is capitalised and amortised in equal annual instalments over five years

2.14 Taxation

The company is taxed on its share of the underwriting results declared by 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 (excluding any losses on open years of account) are only declared for tax purposes in the calendar year following closure of the year of account.

HM Revenue & Customs agrees the taxable results of Syndicates at a Syndicate level on the basis of computations submitted by the Managing Agent. At the date of approval of these financial statements, the Syndicate taxable results of this year have not been agreed. Any adjustments that may be necessary to the tax provision as a result of HM Revenue & Customs agreement of Syndicate taxable results will be reflected in the financial statements of subsequent periods.

2.15 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

Llewellyn House Underwriting Limited

Notes to the financial statements (continued)

For the year ended 31 December 2006

3 Segmental Information

	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	£	£	£	£	£	£
Year ended 31 December 2006						
Direct business						
Accident and health	18,803	19,079	(5,839)	(8,932)	92	4,400
Motor - third party liability	2,180	2,044	(1,055)	(288)	178	879
Motor - other classes	57,194	56,534	(38,184)	(16,042)	(1,970)	338
Marine, aviation and transport	84,693	78,761	(34,647)	(20,064)	(17,474)	6,576
Fire and other damage to property	137,177	127,695	(51,135)	(37,884)	(14,926)	23,750
Third party liability	131,526	133,152	(56,867)	(40,563)	(22,044)	13,678
Credit and suretyship	7,810	8,297	(1,039)	(2,193)	(1,530)	3,535
Legal expenses	331	302	(69)	(102)	89	220
Other	1,901	1,799	(691)	(1,296)	(28)	(216)
Total direct	441,615	427,663	(189,526)	(127,364)	(57,613)	53,160
Other reinsurance acceptances	249,037	234,832	(115,885)	(54,731)	(27,545)	36,671
Total	690,652	662,495	(305,411)	(182,095)	(85,158)	89,831
Year ended 31 December 2005						
Direct business						
Accident and health	20,076	16,306	(7,610)	(6,816)	(1,345)	535
Motor - third party liability	2,538	1,888	(2,834)	(858)	23	(1,781)
Motor - other classes	55,900	35,983	(25,040)	(10,150)	(1,440)	(647)
Marine, aviation and transport	68,177	51,924	(100,626)	(14,051)	50,420	(12,333)
Fire and other damage to property	113,345	88,460	(126,602)	(27,172)	39,462	(25,852)
Third party liability	148,758	138,715	(76,810)	(35,552)	2,676	29,029
Credit and suretyship	5,548	4,751	(3,819)	(2,383)	679	(772)
Legal expenses	558	422	(374)	(234)	(2)	(188)
Assistance	3	3	(1)	-	-	2
Other	2,157	1,131	(480)	(4,791)	(8)	(4,148)
Total direct	417,060	339,583	(344,196)	(102,007)	90,465	(16,155)
Other reinsurance acceptances	191,311	176,752	(242,073)	(41,901)	62,447	(44,775)
Total	608,371	516,335	(586,269)	(143,908)	152,912	(60,930)

All insurance business is underwritten in the UK in the Lloyd's insurance market, which has been treated as one geographical segment for the purpose of SSAP25 Segmental Reporting

Llewellyn House Underwriting Limited

Notes to the financial statements (continued)

For the year ended 31 December 2006

4	Net operating expenses	2006	2005
		£	£
	Acquisition costs	144,370	124,934
	Change in deferred acquisition costs	(8,932)	(23,845)
	Administrative expenses	18,372	18,551
	Reinsurance commissions and profit participations	(2,231)	(2,560)
	Personal expenses	30,517	26,828
		<u>182,096</u>	<u>143,908</u>
5	Investment income	2006	2005
		£	£
	Income from investments	34,897	28,612
	Realised gains on investments	4,729	5,550
		<u>39,626</u>	<u>34,162</u>
6	Investment expenses and charges	2006	2005
		£	£
	Investment management expenses	914	737
	Realised losses on investments	7,502	5,318
		<u>8,416</u>	<u>6,055</u>
7	Profit/(loss) on ordinary activities before taxation	2006	2005
		£	£
	The profit/(loss) on ordinary activities before tax is stated after charging		
	Amortisation of intangible assets	2,688	3,879
	Auditors' remuneration	650	625
	Remuneration of auditors for other services relating to taxation and bookkeeping	825	775
	Profit on disposal of intangible fixed assets	(37,987)	-
	Loss / (profit) on exchange	<u>11,166</u>	<u>(6,430)</u>

Llewellyn House Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2006

8	Taxation	2006 £	2005 £
	U K corporation tax at 19% (2005 19%)	40,357	-
		<u>40,357</u>	<u>-</u>
	Current tax charge	40,357	-
	Deferred tax origination and reversal of timing differences	15,955	-
		<u>56,312</u>	<u>-</u>
	Tax on profit/(loss) on ordinary activities		
	Factors affecting the tax charge for the year		
	Profit/(loss) on ordinary activities before taxation	<u>141,075</u>	<u>(38,281)</u>
	Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2005 19.00%)	26,804	(7,273)
	Effects of		
	Non deductible expenses	1,228	-
	Creation of tax losses	21,011	7,273
	Other timing differences	(8,686)	-
		<u>40,357</u>	<u>-</u>
	Current tax charge		

The company has incurred trading losses in the past. To the extent that these are agreed with HM Revenue & Customs as being allowable for tax losses, these will be available for carry forward against future trading profits from the same trade.

Llewellyn House Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2006

9 Intangible assets

Syndicate participation rights

	£
Cost	
At 1 January 2006	20,760
Additions	201
Disposals	(7,366)
	<u>13,595</u>
At 31 December 2006	<u>13,595</u>
Amortisation	
At 1 January 2006	(7,082)
Charge for the year	(2,688)
Disposals	2,948
	<u>(6,822)</u>
At 31 December 2006	<u>(6,822)</u>
Net book value	
At 31 December 2006	<u>6,773</u>
At 31 December 2005	<u>13,678</u>

10 Other financial investments

Syndicate	2006 Market value £	Historic cost £	2005 Market value £	Historic cost £
Shares and other variable yield securities	128,954	124,123	71,377	68,541
Debt securities and other fixed income securities	608,749	608,704	599,278	602,255
Participation in investment pools	15,592	15,432	3,200	2,920
Loans secured by mortgages	895	880	-	-
Other loans	13,933	13,931	4,392	3,251
Deposits with credit institutions	5,537	5,569	22,637	22,636
Overseas deposits	15,040	15,040	-	-
Other	(52)	-	-	-
	<u>788,648</u>	<u>783,679</u>	<u>700,884</u>	<u>699,603</u>

Llewellyn House Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2006

11 Share capital	2006	2005
	£	£
Authorised		
100,000 Ordinary shares of £1 each	100,000	100,000
Allotted, called up and fully paid		
200 Ordinary shares of £1 each	200	200
12 Reserves		
	Share premium account	Profit and loss account
	£	£
Balance at 1 January 2006	117	(70,760)
Retained profit for the financial year	-	84,763
Balance at 31 December 2006	117	14,003
13 Reconciliation of movements in shareholders' funds	2006	2005
	£	£
Profit / (loss) for the financial year	84,763	(38,281)
Net addition to / (depletion in) shareholders' funds	84,763	(38,281)
Opening shareholders' funds	(70,443)	(32,162)
Closing shareholders' funds	14,320	(70,443)
14 Provision for other risks and charges		
	2006	2005
	£	£
Deferred tax	1,536	-
Represented by		
Underwriting profits taxable in future years	1,536	-
	1,536	-

Llewellyn House Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2006

15 Other creditors including taxation and social security	2006	2005
	£	£
Corporation tax	40,357	-
Other creditors	363,108	95,598
	<u>403,465</u>	<u>95,598</u>
16 Cash Flow Statement	2006	2005
	£	£
(a) Reconciliation of profit / (loss) on ordinary activities before tax to net cash inflow from operating activities.		
Profit / (loss) on ordinary activities before tax	141,075	(38,281)
(Increase) / decrease in debtors	(46,782)	67,913
Increase / (decrease) in creditors and accruals	267,392	(27,881)
Profit on disposal of intangible assets	(37,987)	-
Amortisation of capacity	2,688	3,879
Net cash inflow from operating activities	<u>326,386</u>	<u>5,630</u>

Technical account transactions represent the company's share of the transactions undertaken by Syndicates. The cashflows arising from these transactions are not remitted to or paid by the company but paid into or out of Syndicate premiums trust funds held by trustees appointed by the Managing Agent of each syndicate. If the Syndicate premiums trust funds are insufficient for the Syndicate to meet its liabilities as they fall due, a cash call is made by the Managing Agents on all members of the Syndicate and the company pays its share pro-rata.

Once a Syndicate has effected a reinsurance to close in respect of a year of account, any distributable profit is available for release from the Syndicate premiums trust funds to the participating members and any loss is collected from them. The company receives or pays its pro-rata share of any profit distributed or loss collected.

(b) Movement in cash, portfolio investments and financing

	At 1 January 2006	Cashflow	At 31 December 2006
	£	£	£
Cash in hand	4,752	368,590	373,342
	<u>4,752</u>	<u>368,590</u>	<u>373,342</u>

Llewellyn House Underwriting Limited

Notes to the financial statements (continued) For the year ended 31 December 2006

17 Event after the balance sheet date

The company was amongst the Eligible Members who sold capacity in Wellington Syndicate 2020 ("Syndicate 2020") via the September 2006 capacity auctions. Subsequent to these auctions, Catlin Group Limited ("Catlin") made a recommended offer to acquire Wellington Underwriting plc ("Wellington")

Lloyd's later launched an enquiry as to whether Wellington was in possession of relevant information of which it had an obligation to make disclosure at the time of the auctions. In the event that Wellington had been in possession of relevant information which it had failed to disclose in accordance with Auction Rules or in accordance with its fiduciary and contractual obligations to Eligible Members then Wellington may have been liable to compensate Eligible Members.

In the course of the enquiry, Catlin and Wellington agreed, without admission of wrongdoing or liability, that Wellington would make a payment to each member of Syndicate 2020 who sold any or all of their capacity on that Syndicate. The payment was calculated to put Eligible Members in the approximate financial position as if they had accepted the subsequent cash compensation offer of £0.50 per £1.00 of capacity made by Wellington to members of Syndicate 2020.

The directors of the company accepted the offer of compensation and have received £18,766 after 31 December 2006.

18 Related party transactions

During the period, the director has made loans to the company. At the balance sheet date £363,108 (2005 £65,817) was owed to the director.