

Company registration number (England and Wales): 4195559

LYMINGTON UNDERWRITING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2004



HUMPHREY & CO
Chartered Accountants

8 - 9 The Avenue
Eastbourne
East Sussex
BN21 3YA

C4004C

LYMINGTON UNDERWRITING LIMITED

CONTENTS

	Page
Company information	1
Report of the directors	2
Statement of directors' responsibilities	3
Report of the auditors	4
Profit and loss account	5 - 6
Balance sheet	7 - 8
Cash flow statement	9
Accounting policies	10 - 12
Notes to the financial statements	13 - 22

LYMINGTON UNDERWRITING LIMITED

COMPANY INFORMATION

COMPANY PERSONNEL

Directors	A D N Balme R N Balme
Company Secretary	Aequanimiter Limited

COMPANY ADDRESSES

Registered office	Peninsular House 36 Monument Street London EC3R 8LJ
Lloyd's sponsor	CBS Private Capital Limited Peninsular House 36 Monument Street London EC3R 8LJ
Member's agent	CBS Private Capital Limited Peninsular House 36 Monument Street London EC3R 8LJ
Auditors	Humphrey & Co 8 - 9 The Avenue Eastbourne East Sussex BN21 3YA
Solicitors	Morton Fraser 30-31 Queen Street Edinburgh EH2 1JX

LYMINGTON UNDERWRITING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

The directors have pleasure in presenting their report together with the financial statements for the year ended 31 December 2004.

Results and dividends

The profit for the year after taxation was £173,826 (2003 profit £97,697). The directors do not recommend the payment of a 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 2002.

The result for the year is in respect of Syndicates that closed the 2002 underwriting account. The 2003 and 2004 open underwriting accounts will normally close at 31 December 2005 and 2006 respectively. The syndicates identified on page 22 continue to be unable to obtain a reinsurance to close. The market is currently forecast to make an overall profit for the 2003 and 2004 underwriting accounts. The company has continued to underwrite on the 2005 underwriting account where the market conditions are considered favourable for a profitable outcome subject to the level of claims experienced.

Directors and directors' interests

The directors who held office during the year are listed below together with their interests in the shares of the company:

	Ordinary £1.00 shares	
	31 December 2004	1 January 2004
A D N Balme	-	-
R N Balme	-	-

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.

Approved by the Board on 6 June 2005 and signed on its behalf by:



A D N Balme
Director

LYMINGTON UNDERWRITING LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2004

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.

LYMINGTON UNDERWRITING LIMITED

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF LYMINGTON UNDERWRITING LIMITED

We have audited the financial statements of Lymington Underwriting Limited on pages 5 to 22 for the year ended 31 December 2004. These financial statements have been prepared under the historical cost convention and 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 transactions with the company 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 United Kingdom Auditing Standards 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 of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Humphrey & Co
Chartered Accountants
Registered Auditor

8-9 The Avenue
Eastbourne
East Sussex
BN21 3YA

7 June 2005

LYMINGTON UNDERWRITING LIMITED

PROFIT AND LOSS ACCOUNT - TECHNICAL ACCOUNT (GENERAL BUSINESS) FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	2004 £	2003 £
Gross premiums written	2	2,893,792	2,093,215
Outward reinsurance premiums		(367,592)	(417,881)
Earned premiums net of reinsurance		2,526,200	1,675,334
Allocated investment income	4	61,294	8,220
Claims paid			
Gross amount		(693,107)	(59,743)
Reinsurers' share		199,376	7,202
Net claims paid		(493,731)	(52,541)
Change in provision for claims			
Gross amount		(1,672,580)	(1,381,119)
Reinsurers' share		391,022	175,016
Net change in provision for claims		(1,281,558)	(1,206,103)
Claims incurred net of reinsurance		(1,775,289)	(1,258,644)
Net operating expenses	5	(594,561)	(424,286)
Investment expenses and charges		(2,389)	(624)
Balance on technical account for general business		215,255	-

LYMINGTON UNDERWRITING LIMITED

PROFIT AND LOSS ACCOUNT - NON TECHNICAL ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	2004 £	2003 £
Balance on the general business technical account	6	215,255	-
Investment income	7	221,052	183,836
Other income	8	2,921	(305)
Other charges		(201,109)	(69,382)
Profit on ordinary activities before taxation	9	238,119	114,149
Tax on profit on ordinary activities	17	(64,293)	(16,452)
Profit for the financial year		173,826	97,697

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.

LYMINGTON UNDERWRITING LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2004

	Note	Syndicate Assets £	Corporate £	2004 Total £	2003 Total £
ASSETS					
Intangible assets					
Syndicate participation rights	10	-	25,710	25,710	9,665
Investments					
Financial investments	11	1,918,988	1,037,038	2,956,026	1,915,571
Deposits with ceding undertakings		1,676	-	1,676	168
		1,920,664	1,037,038	2,957,702	1,915,739
Reinsurers' share of technical provisions					
Claims outstanding		1,079,228	-	1,079,228	560,303
Debtors					
Arising out of direct insurance operations					
Policyholders		35,776	-	35,776	2,194
Intermediaries		513,222	-	513,222	463,584
Arising out of reinsurance operations		1,198,904	-	1,198,904	882,615
Other debtors	12	158,870	8,391	167,261	87,411
		1,906,772	8,391	1,915,163	1,435,804
Other assets					
Cash at bank	13	212,785	190,168	402,953	219,835
Other		143,020	-	143,020	61,386
		355,805	190,168	545,973	281,221
Prepayments and accrued income					
Other prepayments and accrued income		10,601	2,018	12,619	9,673
Total assets		5,273,070	1,263,325	6,536,395	4,212,405

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LYMINGTON UNDERWRITING LIMITED

BALANCE SHEET (continued) AS AT 31 DECEMBER 2004

	Note	Syndicate Liabilities £	Corporate £	2004 Total £	2003 Total £
LIABILITIES					
Capital and reserves					
Called-up share capital	14	-	500	500	500
Share premium account	15	-	564	564	564
Profit and loss account	15	215,255	27,789	243,044	69,218
Shareholder's funds attributable to equity interests	16	215,255	28,853	244,108	70,282
Technical provisions					
Claims outstanding - gross amount		4,738,384	-	4,738,384	2,887,488
Provisions for other risks and charges					
Provision for taxation	17	-	59,915	59,915	-
Deposits received from reinsurers		9,329	-	9,329	735
Creditors					
Arising out of direct insurance operations		37,725	-	37,725	39,867
Arising out of reinsurance operations		181,126	-	181,126	193,590
Amounts due to credit institutions		742	-	742	969
Other creditors	18	78,833	1,082,513	1,161,346	1,010,323
		298,426	1,082,513	1,380,939	1,244,749
Accruals and deferred income					
Other accruals and deferred income		11,676	92,044	103,720	9,151
Total liabilities		5,273,070	1,263,325	6,536,395	4,212,405

Approved by the Board on 6 June 2005 and signed on its behalf by:



A D N Balme
Director

LYMINGTON UNDERWRITING LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	2004 £	2003 £
Net cash inflow from operating activities	19	5,789	55,562
Returns on investments and servicing of finance			
Interest received	7,247	12,141	
Interest paid	(64,006)	(59,543)	
Dividends received	33,477	19,299	
Net cash outflow from returns on investments and servicing of finance		(23,282)	(28,103)
Taxation			
UK corporation tax paid	(16,452)	-	
Foreign tax paid	(7,804)	-	
Net cash (outflow)/inflow from taxation		(24,256)	-
Capital expenditure and financial investment			
Purchase of syndicate participation rights	(21,736)	(5,882)	
Proceeds from sale of syndicate participation rights	2,950	-	
Purchase of investments	(231,860)	(282,085)	
Proceeds from sale of investments	269,200	67,383	
Net cash inflow/(outflow) from capital expenditure and financial investment		18,554	(220,584)
Net cash outflow before financing		(23,195)	(193,125)
Financing			
Funds lent to the company by the company's shareholders	68,126	132,187	
Issue of share capital	-	-	
Net cash inflow from financing		68,126	132,187
Increase/(Decrease) in cash		44,931	(60,938)
Net funds at 1 January		145,237	206,175
Increase/(Decrease) in cash in the year		44,931	(60,938)
Net funds at 31 December		190,168	145,237

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.

LYMINGTON UNDERWRITING LIMITED

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2004

1 Accounting policies

Basis of accounting

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 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 1998. 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 upon by the Syndicate auditors.

Amounts reported in the General Business Technical Account relate to the movements in the calendar year in respect of all relevant years of account of the Syndicates.

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 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.

iii Underwriting results

Lloyd's current accounting practice mandates that Syndicates operate a three year fund basis of accounting. The Company follows this basis to the extent that profits are recognised when declared by the Syndicate for the year of account after 36 months. Losses are recognised as soon as they are foreseeable.

LYMINGTON UNDERWRITING LIMITED

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2004

iv Technical provision

In accordance with the above practice, the excess of premiums written and Syndicate investment income over the claims and Syndicate expenses paid in respect of business incepting in an underwriting year is carried forward for two years in a fund and no profit is recognised until the end of the third year following the start of each underwriting year when the underwriting account is normally closed. The fund is included as part of outstanding claims.

v 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 any 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 year, and no further provision is made for any potential variation in the ultimate liability of that year of account.

vi 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, this will include any difference in the price that is ultimately charged for the reinsurance to close premium compared to the syndicates current estimate.

vii 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.

LYMINGTON UNDERWRITING LIMITED

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2004

viii 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.

ix 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.

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

Investments

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

LYMINGTON UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

2 Class of business	Gross written premiums £	Gross claims incurred £	Operating expenses £	Reinsurance balance £
2004				
Direct				
Accident and health	57,175	(26,276)	(19,377)	(5,143)
Motor - third party liability	127,864	(68,386)	(33,514)	(23,096)
Motor - other classes	30,564	(17,678)	(13,645)	9,012
Marine, aviation and transport	159,727	(91,139)	(49,236)	(27,901)
Fire and other damage to property	537,820	(265,384)	(170,219)	(29,207)
Third party liability	627,500	(407,842)	(155,268)	16,466
Credit and suretyship	46,795	(21,536)	(14,572)	(4,707)
Other	823	(21,165)	188	747
Total direct	1,588,268	(919,406)	(455,643)	(63,829)
Reinsurance business				
Reinsurance acceptances	536,307	(312,614)	(138,918)	(36,552)
Reinsurance to close	769,217	(1,133,667)	-	323,187
Total reinsurance	1,305,524	(1,446,281)	(138,918)	286,635
Total	2,893,792	(2,365,687)	(594,561)	222,806
2003				
Direct				
Accident and health	31,449	(28,577)	(8,348)	941,792
Motor - third party liability	6,293	(958)	(2,156)	925,737
Motor - other classes	95,757	(30,012)	(25,587)	13,149,250
Marine, aviation and transport	134,795	(52,173)	(41,547)	3,918,256
Fire and other damage to property	289,828	(146,160)	(85,765)	14,479,800
Third party liability	468,623	(231,281)	(110,437)	36,859,757
Credit and suretyship	16,727	(8,947)	(4,722)	1,456,409
Other	12,852	(5,594)	(4,079)	873,845
Total direct	1,056,324	(503,702)	(282,641)	72,604,846
Reinsurance business				
Reinsurance acceptances	546,700	(244,245)	(141,645)	46,884,322
Reinsurance to close	490,191	(692,915)	-	(119,724,831)
Total reinsurance	1,036,891	(937,160)	(141,645)	(72,840,509)
Total	2,093,215	(1,440,862)	(424,286)	(235,663)

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.

LYMINGTON UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2004

3	Geographical analysis	2004 £	2003 £		
	Direct gross premiums written in:				
	United Kingdom	2,889,258	2,093,215		
	Other EU member states	-	-		
	The rest of the world	4,534	-		
		<u>2,893,792</u>	<u>2,093,215</u>		
4	Allocated investment income	2004 £	2003 £		
	Investment income	73,056	10,434		
	Realised loss on investments	(11,762)	(2,214)		
		<u>61,294</u>	<u>8,220</u>		
5	Net operating expenses	2004 £	2003 £		
	Acquisition costs	364,855	352,913		
	Administrative expenses	149,407	71,671		
	Loss/(Profit) on exchange	80,299	(298)		
		<u>594,561</u>	<u>424,286</u>		
6	Transfer from Technical Account	2002 Underwriting account £	2003 Underwriting account £	2004 Underwriting account £	Total £
	Profit for the year	215,255	-	-	215,255
	Profit previously transferred	-	-	-	-
		<u>215,255</u>	<u>-</u>	<u>-</u>	<u>215,255</u>

LYMINGTON UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2004

7 Investment income	2004	2003
	£	£
Income from other investments (including interest receivable)	40,724	31,440
Realised gain from other investments	17,598	9,809
Unrealised gain from other investments	162,730	142,587
	221,052	183,836
8 Other income	2004	2003
	£	£
Profit/(Loss) on sale of syndicate participation rights	2,921	(305)
Other	-	-
	2,921	(305)
9 Profit on ordinary activities before taxation	2004	2003
	£	£
This is stated after charging:		
Auditor's remuneration - audit	535	500
Auditor's remuneration - other	1,235	1,000
Director's remuneration	80,000	-
Employer's National Insurance contributions	10,240	-
Employer's pension contributions	27,836	-
Amortisation of syndicate capacity	5,662	3,900

The average number of persons, including directors, employed during the year was 2 (2003: 2).

LYMINGTON UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2004

10 Intangible assets

Syndicate Participation Rights £

Cost

At 1 January 2004	17,072
Additions	21,736
Disposals	(87)
At 31 December 2004	38,721

Amortisation

At 1 January 2004	7,407
Charge for the year	5,662
Impairment losses	-
Disposals	(58)
At 31 December 2004	13,011

Net book value

At 31 December 2004	25,710
At 31 December 2003	9,665

11 Investments: Financial investments

	Syndicate £	Corporate £	2004 Total £	2003 Total £
At market value				
Shares and other variable yield securities	152,130	885,158	1,037,288	760,136
Debt securities and other fixed income securities	1,640,049	151,880	1,791,929	1,099,371
Participation in investment pools	65,663	-	65,663	15,331
Loans guaranteed by mortgage	-	-	-	140
Other loans	46	-	46	-
Deposits with credit institutions	58,721	-	58,721	40,178
Other	2,379	-	2,379	415
	1,918,988	1,037,038	2,956,026	1,915,571
Listed investments included within the above	1,773,135	1,037,038	2,810,173	1,829,602

The corporate investments held include £899,174 (2003: £802,890) at market value in respect of Lloyd's deposits that are held in accordance with the constraints detailed in note 20.

LYMINGTON UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2004

11 Investments: Financial investments (continued)

	Syndicate	Corporate	2004	2003
	£	£	Total	Total
			£	£
At cost				
Shares and other variable yield securities	191,829	642,465	834,294	655,182
Debt securities and other fixed income securities	1,578,845	137,980	1,716,825	1,118,693
Participation in investment pools	88,514	-	88,514	23,570
Loans guaranteed by mortgage	-	-	-	140
Other loans	-	-	-	-
Deposits with credit institutions	36,770	-	36,770	27,923
Other	2,119	-	2,119	415
	1,898,077	780,445	2,678,522	1,825,923

12 Debtors

	Syndicate	Corporate	2004	2003
	£	£	Total	Total
			£	£
Deferred tax	-	-	-	-
Other	158,870	8,391	167,261	87,411
	158,870	8,391	167,261	87,411

Corporate other debtors includes £Nil (2003: £Nil) representing cash calls paid to Syndicates.

These cash calls will be offset against the Syndicate result for the year on which the cash call is made when that year closes. These amounts may therefore not be recoverable within 12 months. Any amounts shown as deferred tax are unlikely to be recovered within 12 months.

13 Cash at bank

	Syndicate	Corporate	2004	2003
	£	£	Total	Total
			£	£
Lloyd's deposit	-	187,856	187,856	141,916
Cash at bank and in hand	212,785	2,312	215,097	77,919
	212,785	190,168	402,953	219,835

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

LYMINGTON UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2004

14 Share capital	2004	2003
	£	£
<i>Authorised</i>		
100,000 Ordinary shares of £1.00 each	<u>100,000</u>	<u>100,000</u>
<i>Allotted, called up and fully paid</i>		
500 Ordinary shares of £1.00 each	<u>500</u>	<u>500</u>
15 Statement of movements on reserves	Share premium account	Profit and loss account
	£	£
At 1 January 2004	564	69,218
Premium on shares issued during the year	-	-
Retained profit during the year	-	173,826
At 31 December 2004	<u>564</u>	<u>243,044</u>
16 Reconciliation of movements in shareholders' funds	2004	2003
	£	£
Profit for the financial year	173,826	97,697
Proceeds from the issue of shares	-	-
Net addition to shareholders' funds	173,826	97,697
Opening shareholders' funds	70,282	(27,415)
Closing shareholders' funds	<u>244,108</u>	<u>70,282</u>
17 Taxation	2004	2003
	£	£
<i>Analysis of charge in year</i>		
<i>Current tax</i>		
UK Corporation tax on profits of the year	4,378	16,452
Adjustments in respect of prior years	-	-
Foreign tax	-	-
Total current tax	<u>4,378</u>	<u>16,452</u>

LYMINGTON UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2004

17 Taxation (continued)

2004	2003
£	£

Analysis of charge in year

Deferred tax

Origination and reversal of timing differences	59,915	-
Changes in tax rates	-	-
Adjustment to the estimated recoverable amounts of deferred tax assets arising in prior years	-	-
Other items	-	-
Total deferred tax	59,915	-

Tax on profit on ordinary activities

64,293	16,452
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Factors affecting tax charge for the year

The tax assessed for the year is lower (2003 - lower) than the standard rate of Corporation Tax in the UK of 30.00% (2003 - 19.00%). The differences are explained below:

2004	2003
£	£

Profit on ordinary activities before taxation

238,119	114,149
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Profit on ordinary activities before taxation multiplied by the standard rate of Corporation Tax in the UK of 30.00% (2003 - 19.00%).

71,436	21,688
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Effects of:

Expenses not deductible for tax purposes	-	-
Timing differences arising from the taxation of the underwriting results	(59,915)	-
Timing differences arising from the taxation of syndicate participation movements	54	46
Tax losses carried forward/(Utilisation of tax losses)	-	(5,282)
Adjustments to tax charge in respect of prior periods	-	-
Other adjustments	(7,197)	-
Current tax charge for the year	4,378	16,452

Factors that may affect future tax charges

The company has trading losses of £Nil (2003 - £Nil) available for carry forward against future trading profits.

LYMINGTON UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2004

17 Taxation (continued)

	2004 £	2003 £
<i>Provision for deferred tax</i>		
At 1 January 2004	-	-
Charge to the profit and loss account	59,915	-
Released or utilised in the year	-	-
At 31 December 2004	59,915	-

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.

18 Other creditors

	Syndicate £	Corporate £	2004 £	2003 £
Other creditors	78,833	99,846	178,679	83,708
Social security costs	-	-	-	-
Corporation tax	-	4,378	4,378	16,452
Shareholders' loan account	-	978,289	978,289	910,163
	78,833	1,082,513	1,161,346	1,010,323

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

19 Reconciliation of operating profit/(loss) before interest to net cash inflow from operating activities

	2004 £	2003 £
Operating profit/(loss) before interest	81,073	(10,144)
Current year result not distributable in year	(215,255)	-
Prior year result distributable in year	-	-
(Profit)/Loss on sale of syndicate participation rights	(2,921)	305
Increase in creditors	135,931	53,682
Decrease in debtors	1,299	7,819
Amortisation and impairment of syndicate participation rights	5,662	3,900
Net cash inflow from operating activities	5,789	55,562

LYMINGTON UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2004

20 Fund's at Lloyd's

Cash balances of £187,856 (2003: £141,916) detailed in note 13 and investments of £899,174 (2003: £802,890) detailed in note 11 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 £Nil (2003: £Nil) 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

AMC Limited is the ultimate holding company and owns 100% of the share capital of Lymington Underwriting Limited and Mr A D N and R N Balme are both directors and controlling shareholders of AMC Limited. During 2004 AMC Limited provided additional funding of £68,126 (2003: £132,187) and included within creditors at 31 December 2004 is £978,289 (2003: £910,163) which is due to AMC Limited. This amount is shown separately in note 18 under Shareholders' loan account. AMC Limited charge interest at 7% per annum on this loan which amounted to £64,000 (2002: £59,543).

LYMINGTON UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2004

22 Syndicates

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

Syn. No.	Managing agent	2005 Allocated Capacity	2004 Allocated Capacity	2003 Allocated Capacity	2002 Allocated Capacity *
0002	Advent Underwriting Limited	-	-	-	155,000
0033	Hiscox Syndicates Limited	230,460	252,000	302,000	150,000
0218	Cox Syndicate Management Limited	70,000	-	-	-
0260	KGM Underwriting Agencies Limited	125,882	107,500	107,500	100,000
0318	Beaufort Underwriting Agency Limited	50,000	-	-	-
0386	Limit Underwriting Limited	106,259	125,010	112,500	75,000
0510	R J Kiln & Co Limited	228,991	183,015	174,300	140,000
0557	R J Kiln & Co Limited	30,000	-	-	-
0609	Atrium Underwriters Limited	56,578	-	-	-
0623	Beazley Furlonge Limited	225,417	325,417	291,567	175,000
0780	Advent Underwriting Limited	203,046	219,440	230,987	112,500
0958	Omega Underwriting Agents Limited	236,000	196,000	-	-
1007	SVB Syndicates Limited	-	143,050	100,000	-
2001	Amlin Underwriting Limited	-	-	165,000	200,000
2010	Cathedral Underwriting Limited	104,375	104,375	83,500	50,000
2020	Wellington Underwriting Agencies Limited	233,600	233,600	224,000	200,000
2525	Abacus Syndicates Limited	163,089	89,259	50,000	50,000
2526	Abacus Syndicates Limited	76,204	40,000	-	-
2791	Managing Agency Partners Limited	220,000	200,000	150,000	-
* shading denotes year of account in run-off		£ 2,359,901	£ 2,218,666	£ 1,991,354	£ 1,407,500