

Company registration number (England and Wales) 4195559

LYMINGTON UNDERWRITING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006



LYMINGTON UNDERWRITING LIMITED

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LYMINGTON UNDERWRITING LIMITED

COMPANY INFORMATION

COMPANY PERSONNEL

		Appointed
Directors	A D N Balme	
	R N Balme	
	Nomina Plc	31 Dec 2006
Company Secretary	Hampden Legal Plc	12 Dec 2006

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

LYMINGTON UNDERWRITING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2006

The directors have pleasure in presenting their report together with the financial statements for the year ended 31 December 2006

Results and dividends

The profit for the year after taxation was £407,437 (2005 loss £57,794) 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 2002

The result for the year is in respect of the 2006 annual accounting year, which consists of movements in the 2004, 2005 and 2006 years of account as well as any 2003 and prior run-off years Gross premiums written increased compared to the previous year and the overall balance in the technical account also increased as a result of the level of claims experienced

The company's reserves continue to improve and the directors consider that the company's position at the year end was satisfactory

The company has continued to underwrite on the 2007 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

	31 December 2006	Ordinary £1.00 shares 1 January 2006
A D N Balme	-	-
R N Balme	-	-
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 18 October 2007 and signed on its behalf by



A D N Balme
Director

LYMINGTON UNDERWRITING LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2006

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 2006. 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.

We have undertaken the audit in accordance with the requirements of APB Ethical Standards including APB Ethical Standard - Provisions Available for Small Entities, in the circumstances set out in note 21 to 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,
- the information given in the directors report is consistent with the financial statements.



Humphrey & Co
Chartered Accountants
Registered Auditors

6 2006 2007

7-9 The Avenue
Eastbourne
East Sussex
BN21 3YA

LYMINGTON UNDERWRITING LIMITED

PROFIT AND LOSS ACCOUNT - TECHNICAL ACCOUNT (GENERAL BUSINESS) FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 £	2005 £
Gross premiums written	2	2,650,566	2,561,566
Outward reinsurance premiums		(471,295)	(529,634)
Net premiums written		2,179,271	2,031,932
Change in the provision for unearned premiums			
Gross provision		(23,179)	(61,627)
Reinsurers' share		17,114	(2,338)
Net change in the provision for unearned premiums		(6,065)	(63,965)
Earned premiums net of reinsurance		2,173,206	1,967,967
Allocated investment income	4	158,711	108,807
Claims paid			
Gross amount		(1,818,960)	(1,212,057)
Reinsurers' share		789,141	395,762
Net claims paid		(1,029,819)	(816,295)
Change in provision for claims			
Gross amount		498,260	(1,534,937)
Reinsurers' share		(555,189)	780,200
Net change in provision for claims		(56,929)	(754,737)
Claims incurred net of reinsurance		(1,086,748)	(1,571,032)
Net operating expenses	5	(767,291)	(625,975)
Investment expenses and charges		(7,367)	(5,649)
Balance on technical account for general business		470,511	(125,882)

LYMINGTON UNDERWRITING LIMITED

PROFIT AND LOSS ACCOUNT - NON TECHNICAL ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 £	2005 £
Balance on the general business technical account		470,511	(125,882)
Investment income	6	251,853	222,333
Other income	7	116,952	2,370
Other charges		(255,655)	(190,504)
Profit/(Loss) on ordinary activities before taxation	8	583,661	(91,683)
Tax on profit/(loss) on ordinary activities	17	(176,224)	33,889
Profit/(Loss) for the financial year		407,437	(57,794)

The company has no recognised gains or losses other than the profit/(loss) for the financial years stated above

All amounts above relate to continuing operations

LYMINGTON UNDERWRITING LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2006

ASSETS	Note	Syndicate Assets £	Corporate £	2006 Total £	2005 Total £
Intangible assets					
Syndicate participation rights	9	-	14,618	14,618	18,108
Investments					
Financial investments	10	2,671,983	1,236,954	3,908,937	3,785,240
Deposits with ceding undertakings		1,126	-	1,126	1,420
Total investments		2,673,109	1,236,954	3,910,063	3,786,660
Reinsurers' share of technical provisions					
Provision for unearned premiums		117,388	-	117,388	108,148
Claims outstanding		914,946	-	914,946	1,135,388
Other technical provisions		-	-	-	476,734
Total reinsurers' share of technical provisions		1,032,334	-	1,032,334	1,720,270
Debtors					
Arising out of direct insurance operations	11				
Policyholders		2,170	-	2,170	1,626
Intermediaries		463,902	-	463,902	879,684
Arising out of reinsurance operations	11	126,673	-	126,673	169,478
Other debtors	12	542,132	410,899	953,031	444,679
Total debtors		1,134,877	410,899	1,545,776	1,495,467
Other assets					
Cash at bank	13	322,147	147,898	470,045	406,845
Other		186,919	-	186,919	184,328
Total other assets		509,066	147,898	656,964	591,173
Prepayments and accrued income					
Accrued interest		10,222	-	10,222	10,336
Deferred acquisition costs		224,609	-	224,609	233,462
Other prepayments and accrued income		13,842	-	13,842	12,657
Total prepayments and accrued income		248,673	-	248,673	256,455
Total assets		5,598,059	1,810,369	7,408,428	7,868,133

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LYMINGTON UNDERWRITING LIMITED

BALANCE SHEET (continued) AS AT 31 DECEMBER 2006

	Note	Syndicate Liabilities £	Corporate £	2006 Total £	2005 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	-	781,182	781,182	373,745
Shareholder's funds attributable to equity interests	16	-	782,246	782,246	374,809
Technical provisions					
Provision for unearned premiums		1,026,043	-	1,026,043	1,064,534
Claims outstanding - gross amount		3,621,582	-	3,621,582	4,644,917
Total technical provisions		4,647,625	-	4,647,625	5,709,451
Provisions for other risks and charges					
Provision for taxation	17	-	49,485	49,485	45,206
Deposits received from reinsurers		23,427	-	23,427	43,036
Creditors					
Arising out of direct insurance operations		126,957	-	126,957	81,549
Arising out of reinsurance operations		181,261	-	181,261	271,702
Amounts due to credit institutions		172,611	-	172,611	478
Other creditors	18	424,529	871,535	1,296,064	1,231,627
Total creditors		905,358	871,535	1,776,893	1,585,356
Accruals and deferred income					
Other accruals and deferred income		21,649	107,103	128,752	110,275
Total liabilities		5,598,059	1,810,369	7,408,428	7,868,133

Approved by the Board on 1st October 2007 and signed on its behalf by



A D N Balme
Director

LYMINGTON UNDERWRITING LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 £	2005 £
Net cash (outflow)/inflow from operating activities	19	(57,685)	138,720
Returns on investments and servicing of finance			
Interest received		10,045	5,536
Interest paid		(63,886)	(57,450)
Dividends received		30,328	32,403
Net cash outflow from returns on investments and servicing of finance		(23,513)	(19,511)
Taxation			
UK corporation tax paid		(13,184)	(4,378)
Foreign tax paid		(26,387)	(48,561)
Net cash outflow from taxation		(39,571)	(52,939)
Capital expenditure and financial investment			
Purchase of syndicate participation rights		(6,244)	(1,639)
Proceeds from sale of syndicate participation rights		116,952	2,370
Purchase of investments		(153,544)	(249,724)
Proceeds from sale of investments		292,082	305,036
Net cash inflow from capital expenditure and financial investment		249,246	56,043
Net cash inflow before financing		128,477	122,313
Financing			
Funds withdrawn from the company by the company's shareholders		(71,938)	(221,122)
Net cash outflow from financing		(71,938)	(221,122)
Increase/(Decrease) in cash		56,539	(98,809)
Net funds at 1 January		91,359	190,168
Increase/(Decrease) in cash in the year		56,539	(98,809)
Net funds at 31 December		147,898	91,359

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 2006

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.

LYMINGTON UNDERWRITING LIMITED

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2006

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.

LYMINGTON UNDERWRITING LIMITED

NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2006

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 Lloyds Deposit, are stated at market value.

LYMINGTON UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

2 Class of business	Gross written premiums £	Gross premiums earned £	Gross claims incurred £	Operating expenses £	Reinsurance balance £
2006					
Direct					
Accident and health	60,211	58,095	(19,625)	(26,366)	(1,317)
Motor - third party liability	40,681	62,797	(43,923)	(12,924)	(8,708)
Motor - other classes	223,094	187,631	(118,293)	(57,920)	(9,313)
Marine, aviation and transport	257,156	247,634	(112,537)	(73,768)	(30,235)
Fire and other damage to property	540,416	518,612	(226,633)	(175,044)	(57,028)
Third party liability	549,048	587,492	(324,091)	(166,352)	(33,339)
Credit and suretyship	26,619	27,947	(5,937)	(10,706)	(4,250)
Other	4,972	4,576	(2,563)	(1,815)	177
Total direct	1,702,197	1,694,784	(853,602)	(524,895)	(144,013)
Reinsurance business					
Reinsurance balance	948,369	932,603	(467,098)	(242,396)	(76,216)
Total	2,650,566	2,627,387	(1,320,700)	(767,291)	(220,229)

	£	£	£	£	£
2005					
Direct					
Accident and health	48,091	49,035	(72,616)	(14,262)	267
Motor - third party liability	60,031	62,072	(56,853)	(18,777)	(11,821)
Motor - other classes	117,355	107,200	(121,478)	(28,844)	34,662
Marine, aviation and transport	193,543	207,200	(213,847)	(56,057)	87,577
Fire and other damage to property	456,399	473,193	(508,694)	(127,425)	151,000
Third party liability	736,945	723,289	(761,117)	(179,990)	230,811
Credit and suretyship	18,782	18,814	(47,150)	(6,761)	(228)
Other	13,674	17,428	(10,768)	(5,348)	14,096
Total direct	1,644,820	1,658,231	(1,792,523)	(437,464)	506,364
Reinsurance business					
Reinsurance balance	916,746	841,708	(954,471)	(188,511)	137,626
Total	2,561,566	2,499,939	(2,746,994)	(625,975)	643,990

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 2006

3	Geographical analysis	2006	2005
		£	£
	Direct gross premiums written in:		
	United Kingdom	2,650,566	2,561,566
	Other EU member states	-	-
	The rest of the world	-	-
	Total	2,650,566	2,561,566
4	Allocated investment income	2006	2005
		£	£
	Investment income	139,623	99,815
	Realised gain on investments	19,088	8,992
	Total	158,711	108,807
5	Net operating expenses	2006	2005
		£	£
	Acquisition costs	490,918	479,651
	Administrative expenses	245,012	169,001
	Loss/(Profit) on exchange	31,361	(22,677)
	Total	767,291	625,975

LYMINGTON UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2006

6	Investment income	2006	2005
		£	£
	Income from other investments (including interest receivable)	40,373	37,939
	Realised gain from other investments	23,455	19,384
	Unrealised gain from other investments	188,025	165,010
	Total	251,853	222,333
7	Other income	2006	2005
		£	£
	Profit on sale of syndicate participation rights	116,952	2,370
	Other	-	-
	Total	116,952	2,370
8	Profit/(Loss) on ordinary activities before taxation	2006	2005
		£	£
	This is stated after charging		
	Auditor's remuneration - audit	608	570
	Auditor's remuneration - other	1,355	1,000
	Director's remuneration	94,500	80,000
	Employer's National Insurance contributions	10,137	9,035
	Employer's pension contributions	50,600	26,160
	Amortisation of syndicate capacity	9,734	9,241

The average number of persons, including directors, employed during the year was 2 (2005 2)

LYMINGTON 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	39,543
Additions	6,244
Disposals	(3,084)
At 31 December 2006	42,703

Amortisation

At 1 January 2006	21,435
Charge for the year	9,734
Impairment losses	-
Disposals	(3,084)
At 31 December 2006	28,085

Net book value

At 31 December 2006	14,618
At 31 December 2005	18,108

10 Investments: Financial investments

	Syndicate £	Corporate £	2006 Total £	2005 Total £
At market value				
Shares and other variable yield securities	305,923	1,176,271	1,482,194	1,242,269
Debt securities and other fixed income securities	2,236,820	60,683	2,297,503	2,433,764
Participation in investment pools	22,179	-	22,179	18,742
Loans guaranteed by mortgage	-	-	-	-
Other loans	55,817	-	55,817	18,383
Deposits with credit institutions	40,389	-	40,389	64,791
Other	10,855	-	10,855	7,291
Total	2,671,983	1,236,954	3,908,937	3,785,240

The corporate investments held include £1,198,844 (2005 £1,022,826) 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 2006

10 Investments: Financial investments (continued)

	Syndicate £	Corporate £	2006 Total £	2005 Total £
<i>At cost</i>				
Shares and other variable yield securities	291,412	-	291,412	202,561
Debt securities and other fixed income securities	2,234,463	-	2,234,463	2,301,105
Participation in investment pools	21,504	-	21,504	17,720
Loans guaranteed by mortgage	-	-	-	-
Other loans	55,724	-	55,724	12,570
Deposits with credit institutions	40,439	-	40,439	64,185
Other	7,112	-	7,112	9,224
Total	2,650,654	-	2,650,654	2,607,365

11 Debtors arising out of direct insurance and reinsurance operations

	Syndicate £	Corporate £	2006 Total £	2005 Total £
The following amounts are due after one year				
Direct insurance operations	19,966	-	19,966	22,032
Reinsurance operations	-	-	-	296
Total	19,966	-	19,966	22,328

12 Other debtors

	Syndicate £	Corporate £	2006 Total £	2005 Total £
Deferred tax	-	-	-	-
Other	542,132	410,899	953,031	444,679
Total	542,132	410,899	953,031	444,679

Corporate other debtors includes £136,693 (2005 £Nil) due to the company after more than one year

13 Cash at bank

	Syndicate £	Corporate £	2006 Total £	2005 Total £
Lloyd's deposit	-	104,853	104,853	87,342
Cash at bank and in hand	322,147	43,045	365,192	319,503
Total	322,147	147,898	470,045	406,845

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 2006

14 Share capital	2006	2005
	£	£
<i>Authorised</i>		
100,000 Ordinary shares of £1 00 each	100,000	100,000
<i>Allotted, called up and fully paid</i>		
500 Ordinary shares of £1 00 each	500	500
15 Statement of movements on reserves	Share premium account	Profit and loss account
	£	£
At 1 January 2006	564	373,745
Profit during the year	-	407,437
At 31 December 2006	564	781,182
16 Reconciliation of movements in shareholders' funds	2006	2005
	£	£
Retained profit/(loss) for the financial year	407,437	(57,794)
Proceeds from the issue of shares	-	-
Net addition to/(depletion in) shareholders' funds	407,437	(57,794)
Opening shareholders' funds	374,809	432,603
Closing shareholders' funds	782,246	374,809
17 Taxation	2006	2005
	£	£
<i>Analysis of charge in year</i>		
<i>Current tax</i>		
UK Corporation Tax on profits of the year	144,930	39,405
Adjustments in respect of prior years	628	-
Foreign tax	26,387	29,490
Total current tax	171,945	68,895

LYMINGTON UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2006

17 Taxation (continued)

2006	2005
£	£

Analysis of charge in year

Deferred tax

Origination and reversal of timing differences	4,279	(102,784)
Changes in tax rates	-	-
Adjustment to the estimated recoverable amounts of deferred tax assets arising in prior years	-	-
Other items	-	-
Total deferred tax	4,279	(102,784)

Tax on profit/(loss) on ordinary activities	176,224	(33,889)
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Factors affecting tax charge for the year

The tax assessed for the year is lower (2005 - higher) than the standard rate of Corporation Tax in the UK of 30 00% (2005 - 30 00%). The differences are explained below

2006	2005
£	£

Profit/(Loss) on ordinary activities before taxation	583,661	(91,683)
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Profit/(Loss) on ordinary activities before taxation multiplied by the standard rate of Corporation Tax in the UK of 30 00% (2005 - 30 00%)	175,098	(27,505)
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Effects of:

Expenses not deductible for tax purposes	-	-
Timing differences arising from the taxation of the underwriting results	(3,781)	102,784
Timing differences arising from the taxation of syndicate participation movements	-	-
Tax losses carried forward	-	-
Adjustments to tax charge in respect of prior periods	628	-
Other adjustments	-	(6,384)
Current tax charge for the year	171,945	68,895

Factors that may affect future tax charges

The company has trading losses of £Nil (2005 - £Nil) available for carry forward against future trading profits

LYMINGTON UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2006

17 Taxation (continued)	2006 £	2005 £
<i>Provision for deferred tax</i>		
At 1 January 2006	45,206	-
Charge to the profit and loss account	4,279	45,206
Released or utilised in the year	-	-
At 31 December 2006	49,485	45,206

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 (2005 - £Nil)

18 Other creditors	Syndicate £	Corporate £	2006 £	2005 £
Other creditors	424,529	40,887	465,416	435,055
Social security costs	-	-	-	-
Corporation tax	-	145,419	145,419	39,405
Shareholders' loan account	-	685,229	685,229	757,167
	424,529	871,535	1,296,064	1,231,627

The above shareholders' loan has been included in the related party transactions note 22

19 Reconciliation of operating profit/(loss) before interest to net cash (outflow)/inflow from operating activities	2006 £	2005 £
Operating profit/(loss) before interest	395,694	(256,566)
Current year result not distributable in year	(470,511)	125,882
Prior year result distributable in year	454,773	216,732
Profit on sale of syndicate participation rights	(116,952)	(2,370)
(Decrease)/Increase in creditors	(85,084)	45,801
(Increase)/Decrease in debtors	(245,339)	-
Amortisation and impairment of syndicate participation rights	9,734	9,241
Net cash (outflow)/inflow from operating activities	(57,685)	138,720

LYMINGTON UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2006

20 Fund's at Lloyd's

Cash balances of £104,853 (2005 £87,342) detailed in note 13 and investments of £1,198,844 (2005 £1,022,826) 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 £Nil (2005 £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 Auditors' Ethical Standards

In common with many businesses of our size and nature we use our auditors to prepare and submit returns to the tax authorities and assist with the preparation of the financial statements.

22 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 2006 AMC Limited provided additional funding of £78,062 (2005 £62,796) and withdrew funding of £150,000 (2005 - £283,918). Included within creditors at 31 December 2006 is £685,229 (2005 £757,167) which is due to AMC Limited. This amount is shown separately in note 18 under Shareholders' loan account.

LYMINGTON UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2006

23 Syndicates

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

Syn No	Managing agent	2007 Allocated Capacity	2006 Allocated Capacity	2005 Allocated Capacity	2004 Allocated Capacity *
0033	Hiscox Syndicates Limited	260,206	247,707	230,460	252,000
0218	Cox Syndicate Management Limited	87,412	83,250	70,000	-
0260	KGM Underwriting Agencies Limited	157,245	135,323	125,882	107,500
0318	Beaufort Underwriting Agency Limited	90,000	50,000	50,000	-
0386	Limit Underwriting Limited	85,008	85,008	106,259	125,010
0510	R J Kiln & Co Limited	308,235	262,194	228,991	183,015
0557	R J Kiln & Co Limited	75,295	34,350	30,000	-
0609	Atrium Underwriters Limited	86,578	56,578	56,578	-
0623	Beazley Furlonge Limited	168,447	162,561	225,417	325,417
0727	S A Meacock & Co Limited	38,015	38,015	-	-
0780	Advent Underwriting Limited	163,046	163,046	203,046	219,440
0958	Omega Underwriting Agents Limited	261,960	261,960	236,000	196,000
1007	SVB Syndicates Limited	-	-	-	143,050
2001	Amlin Underwriting Limited	-	-	-	-
2010	Cathedral Underwriting Limited	156,522	130,468	104,375	104,375
2020	Wellington Underwriting Agencies Limited	-	255,999	233,600	233,600
2525	Abacus Syndicates Limited	120,388	143,318	163,089	89,259
2526	Abacus Syndicates Limited	67,417	67,417	76,204	40,000
2791	Managing Agency Partners Limited	310,579	270,043	220,000	200,000
3245	Heritage Managing Agency Limited	50,066	-	-	-
4882	Capita Syndicate Management	110,000	-	-	-
6101	Argenta Syndicate Management	271,998	-	-	-
6103	Managing Agency Partners	69,000	-	-	-
<i>* shading denotes year of account in run-off</i>		£ 2,937,417	£ 2,447,237	£ 2,359,901	£ 2,218,666

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
0002	Advent Underwriting Limited	2002	155,000