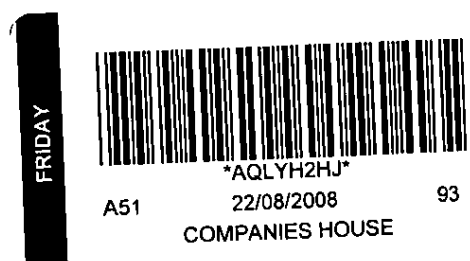


Company registration number (England and Wales) 4195559

LYMINGTON UNDERWRITING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007



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 Nomina Plc
Company Secretary	Hampden Legal Plc

COMPANY ADDRESSES

Registered office	c/o Nomina Plc 85 Gracechurch Street London EC3V 0AA
Member's agent	Alpha Insurance Analysts Limited 150 Minorres London EC3N 1LS
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 2007

The directors have pleasure in presenting their report together with the financial statements for the year ended 31 December 2007

Results and dividends

The profit for the year after taxation was £333,501 (2006 profit £407,437) 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 2007 annual accounting year, which consists of movements in the 2005, 2006 and 2007 years of account as well as any 2004 and prior run-off years Gross premiums written decreased to £2,603,219 compared to the previous year's figure of £2,650,566 but the overall balance on the technical account increased from £470,511 to £558,458 as a result of the level of claims experienced

The company's reserves continue to improve and the total of capital and reserves at the year end was £1,115,683

The company has continued to underwrite on the 2008 underwriting account where the market conditions are considered favourable for a profitable outcome subject to the level of claims experienced

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

Directors and directors' interests

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

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 1 AUGUST 2008 and signed on its behalf by

 x

A D N Balme

Director

LYMINGTON UNDERWRITING LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2007

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 2007. 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.

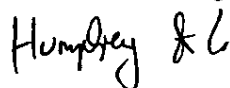
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 2007 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

14 August 2008

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 2007**

	Note	2007 £	2006 £
Gross premiums written	2	2,603,219	2,650,566
Outward reinsurance premiums		(432,136)	(471,295)
Net premiums written		2,171,083	2,179,271
Change in the provision for unearned premiums			
Gross provision		(29,627)	(23,179)
Reinsurers' share		(7,697)	17,114
Net change in the provision for unearned premiums		(37,324)	(6,065)
Earned premiums net of reinsurance		2,133,759	2,173,206
Allocated investment income	4	199,057	158,711
Claims paid			
Gross amount		(1,303,676)	(1,818,960)
Reinsurers' share		320,478	789,141
Net claims paid		(983,198)	(1,029,819)
Change in provision for claims			
Gross amount		171,223	498,260
Reinsurers' share		(227,148)	(555,189)
Net change in provision for claims		(55,925)	(56,929)
Claims incurred net of reinsurance		(1,039,123)	(1,086,748)
Net operating expenses	5	(729,310)	(767,291)
Investment expenses and charges		(5,925)	(7,367)
Balance on technical account for general business		558,458	470,511

LYMINGTON UNDERWRITING LIMITED

PROFIT AND LOSS ACCOUNT - NON TECHNICAL ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 £	2006 £
Balance on the general business technical account		558,458	470,511
Investment income	6	71,455	251,853
Other income	7	-	116,952
Other charges		(182,442)	(255,655)
Profit on ordinary activities before taxation	8	447,471	583,661
Tax on profit on ordinary activities	17	(113,970)	(176,224)
Profit for the financial year		333,501	407,437

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 2007

ASSETS	Note	Syndicate Assets £	Corporate £	2007 Total £	2006 Total £
Intangible assets					
Syndicate participation rights	9	-	17,685	17,685	14,618
Investments					
Financial investments	10	3,188,988	1,319,637	4,508,625	3,908,937
Deposits with ceding undertakings		1,668	-	1,668	1,126
Total investments		3,190,656	1,319,637	4,510,293	3,910,063
Reinsurers' share of technical provisions					
Provision for unearned premiums		109,176	-	109,176	117,388
Claims outstanding		465,217	-	465,217	914,946
Other technical provisions		237,377	-	237,377	-
Total reinsurers' share of technical provisions		811,770	-	811,770	1,032,334
Debtors					
Arising out of direct insurance operations	11				
Policyholders		2,546	-	2,546	2,170
Intermediaries		454,398	-	454,398	463,902
Arising out of reinsurance operations	11	89,887	-	89,887	126,673
Other debtors	12	683,669	648,622	1,332,291	953,031
Total debtors		1,230,500	648,622	1,879,122	1,545,776
Other assets					
Cash at bank	13	573,017	66,357	639,374	470,045
Other		2	-	2	186,919
Total other assets		573,019	66,357	639,376	656,964
Prepayments and accrued income					
Accrued interest		12,701	-	12,701	10,222
Deferred acquisition costs		237,513	-	237,513	224,609
Other prepayments and accrued income		12,626	-	12,626	13,842
Total prepayments and accrued income		262,840	-	262,840	248,673
Total assets		6,068,785	2,052,301	8,121,086	7,408,428

/continued

LYMINGTON UNDERWRITING LIMITED

BALANCE SHEET (continued) AS AT 31 DECEMBER 2007

	Note	Syndicate Liabilities £	Corporate £	2007 Total £	2006 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	-	1,114,683	1,114,683	781,182
Shareholder's funds attributable to equity interests	16	-	1,115,747	1,115,747	782,246
Technical provisions					
Provision for unearned premiums		1,663,063	-	1,663,063	1,026,043
Claims outstanding - gross amount		3,723,153	-	3,723,153	3,621,582
Total technical provisions		5,386,216	-	5,386,216	4,647,625
Provisions for other risks and charges					
Provision for taxation	17	-	143,915	143,915	49,485
Deposits received from reinsurers		-	-	-	23,427
Creditors					
Arising out of direct insurance operations		155,839	-	155,839	126,957
Arising out of reinsurance operations		194,658	-	194,658	181,261
Amounts due to credit institutions		244	-	244	172,611
Other creditors	18	305,452	676,406	981,858	1,296,064
Total creditors		656,193	676,406	1,332,599	1,776,893
Accruals and deferred income					
Other accruals and deferred income		26,376	116,233	142,609	128,752
Total liabilities		6,068,785	2,052,301	8,121,086	7,408,428

Approved by the Board on 31 August 2008 and signed on its behalf by

 X

A D N Balme
Director

LYMINGTON UNDERWRITING LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 £	2006 £
Net cash inflow/(outflow) from operating activities	19	248,304	(57,685)
Returns on investments and servicing of finance			
Interest received		9,989	10,045
Interest paid		(49,450)	(63,886)
Dividends received		31,653	30,328
Net cash outflow from returns on investments and servicing of finance		(7,808)	(23,513)
Taxation			
UK corporation tax paid		(145,436)	(13,184)
Foreign tax paid		(616)	(26,387)
Net cash outflow from taxation		(146,052)	(39,571)
Capital expenditure and financial investment			
Purchase of syndicate participation rights		(10,840)	(6,244)
Proceeds from sale of syndicate participation rights		-	116,952
Purchase of investments		(139,645)	(153,544)
Proceeds from sale of investments		86,775	292,082
Net cash (outflow)/inflow from capital expenditure and financial investment		(63,710)	249,246
Net cash inflow before financing		30,734	128,477
Financing			
Funds withdrawn from the company by the company's shareholders		(112,275)	(71,938)
Net cash outflow from financing		(112,275)	(71,938)
(Decrease)/Increase in cash		(81,541)	56,539
Net funds at 1 January		147,898	91,359
(Decrease)/Increase in cash in the year		(81,541)	56,539
Net funds at 31 December		66,357	147,898

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 2007

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 2007

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 2007

ix Basis of currency translation

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

x Debtors/creditors arising from insurance/reinsurance operations

The amounts shown in the Balance Sheet include the totals of all the Syndicates outstanding debit and credit transactions. No account has been taken of any offsets which may be applicable in calculating the net amounts due between the Syndicates and each of their counterparty insureds, reinsurers or intermediaries as appropriate.

xi Distribution of profits and collection of losses

Lloyd's operates a detailed set of regulations regarding solvency and the distribution of profits and payment of losses between Syndicates and their members. Lloyd's continues to require membership of Syndicates to be on an underwriting year of account basis and profits and losses belong to members according to their membership of a year of account. Normally profits and losses are transferred between the Syndicate and members after results for a year of account are finalised after 36 months. This period may be extended if a year of account goes into run-off. The Syndicate may make earlier on account distributions or cash calls according to the cash flow of a particular year of account and subject to Lloyd's requirements.

1.2 Deferred Taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities have not been discounted.

1.3 Intangible assets

Costs incurred by the Company in the Corporation of Lloyd's auctions in order to acquire rights to participate on Syndicates' underwriting years are included within intangible assets and amortised over a 3 year period beginning with the respective year of Syndicate participation.

1.4 Investments

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

LYMINGTON UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

2	Class of business	Gross written premiums £	Gross premiums earned £	Gross claims incurred £	Operating expenses £	Reinsurance balance £
	2007	£	£	£	£	£
	Direct					
	Accident and health	51,635	55,858	(23,955)	(19,520)	(1,820)
	Motor - third party liability	50,224	45,312	(27,981)	(11,812)	(4,494)
	Motor - other classes	227,271	213,721	(150,698)	(56,202)	(14,228)
	Marine, aviation and transport	247,477	243,087	(101,616)	(69,293)	(34,610)
	Fire and other damage to property	502,424	511,470	(212,412)	(171,188)	(64,883)
	Third party liability	530,342	528,076	(250,662)	(158,109)	(42,608)
	Credit and suretyship	21,715	23,374	(7,590)	(4,474)	(3,026)
	Other	7,095	6,641	(2,885)	(2,466)	(168)
	Total direct	1,638,183	1,627,539	(777,799)	(493,064)	(165,837)
	Reinsurance business					
	Reinsurance balance	965,036	946,053	(354,654)	(236,246)	(180,666)
	Total	2,603,219	2,573,592	(1,132,453)	(729,310)	(346,503)
	2006	£	£	£	£	£
	Direct					
	Accident and health	-	58,095	(19,625)	(26,366)	(1,317)
	Motor - third party liability	41,627	62,797	(43,923)	(12,924)	(8,708)
	Motor - other classes	228,280	187,631	(118,293)	(57,920)	(9,313)
	Marine, aviation and transport	263,134	247,634	(112,537)	(73,768)	(30,235)
	Fire and other damage to property	552,978	518,612	(226,633)	(175,044)	(57,028)
	Third party liability	561,810	587,492	(324,091)	(166,352)	(33,339)
	Credit and suretyship	27,238	27,947	(5,937)	(10,706)	(4,250)
	Other	5,085	4,576	(2,563)	(1,815)	177
	Total direct	1,680,152	1,694,784	(853,602)	(524,895)	(144,013)
	Reinsurance business					
	Reinsurance balance	970,414	932,603	(467,098)	(242,396)	(76,216)
	Total	2,650,566	2,627,387	(1,320,700)	(767,291)	(220,229)

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 2007

3	Geographical analysis	2007	2006
		£	£
	Direct gross premiums written in		
	United Kingdom	2,603,219	2,650,566
	Other EU member states	-	-
	The rest of the world	-	-
	Total	2,603,219	2,650,566
4	Allocated investment income	2007	2006
		£	£
	Investment income	174,150	139,623
	Realised gain on investments	24,907	19,088
	Total	199,057	158,711
5	Net operating expenses	2007	2006
		£	£
	Acquisition costs	472,574	490,918
	Administrative expenses	282,925	245,012
	(Profit)/Loss on exchange	(26,189)	31,361
	Total	729,310	767,291

LYMINGTON UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2007

6	Investment income	2007	2006
		£	£
	Income from other investments (including interest receivable)	41,642	40,373
	Realised gain from other investments	2,441	23,455
	Unrealised gain from other investments	27,372	188,025
	Total	71,455	251,853
7	Other income	2007	2006
		£	£
	Profit on sale of syndicate participation rights	-	116,952
	Other	-	-
	Total	-	116,952
8	Profit on ordinary activities before taxation	2007	2006
		£	£
	This is stated after charging		
	Auditor's remuneration - audit	625	608
	Auditor's remuneration - other	1,437	1,355
	Director's remuneration	98,000	94,500
	Employer's National Insurance contributions	10,392	10,137
	Employer's pension contributions	-	50,600
	Amortisation of syndicate capacity	7,773	9,734

The average number of persons, including directors, employed during the year was 2 (2006 2)

LYMINGTON UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2007

9	Intangible assets	Syndicate Participation Rights £
	Cost	
	At 1 January 2007	42,703
	Additions	10,840
	Disposals	-
	At 31 December 2007	53,543
	Amortisation	
	At 1 January 2007	28,085
	Charge for the year	7,773
	Impairment losses	-
	Disposals	-
	At 31 December 2007	35,858
	Net book value	
	At 31 December 2007	17,685
	At 31 December 2006	14,618

10	Investments	Financial investments	2007 Total £	2006 Total £
		Syndicate £	Corporate £	
	<i>At market value</i>			
	Shares and other variable yield securities	288,020	1,258,218	1,546,238
	Debt securities and other fixed income securities	2,765,475	61,419	2,826,894
	Participation in investment pools	43,288	-	43,288
	Loans guaranteed by mortgage	-	-	-
	Other loans	40,307	-	40,307
	Deposits with credit institutions	45,024	-	45,024
	Other	6,874	-	6,874
	Total	3,188,988	1,319,637	4,508,625
				3,908,937

The corporate investments held include £1,309,487 (2006 £1,198,844) 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 2007

10 Investments Financial investments (continued)

	Syndicate	Corporate	2007 Total	2006 Total
	£	£	£	£
<i>At cost</i>				
Shares and other variable yield securities	252,065	790,417	1,042,482	1,022,783
Debt securities and other fixed income securities	2,695,985	63,313	2,759,298	2,297,776
Participation in investment pools	33,593	-	33,593	21,504
Loans guaranteed by mortgage	-	-	-	-
Other loans	40,169	-	40,169	55,724
Deposits with credit institutions	44,983	-	44,983	40,439
Other	7,966	-	7,966	7,112
Total	3,074,761	853,730	3,928,491	3,445,338

11 Debtors arising out of direct insurance and reinsurance operations

	Syndicate	Corporate	2007 Total	2006 Total
	£	£	£	£
The following amounts are due after one year				
Direct insurance operations	199,839	-	199,839	19,966
Reinsurance operations	57	-	57	-
Total	199,896	-	199,896	19,966

12 Other debtors

	Syndicate	Corporate	2007 Total	2006 Total
	£	£	£	£
Deferred tax	-	-	-	-
Other	683,669	648,622	1,332,291	953,031
Total	683,669	648,622	1,332,291	953,031

Corporate other debtors includes £451,690 (2006 £136,693) due to the company after more than one year

13 Cash at bank

	Syndicate	Corporate	2007 Total	2006 Total
	£	£	£	£
Lloyd's deposit	396,452	49,424	445,876	104,853
Cash at bank and in hand	176,565	16,933	193,498	365,192
Total	573,017	66,357	639,374	470,045

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 2007

14	Share capital	2007 £	2006 £
	<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 2007	564	781,182
	Profit during the year	-	333,501
	At 31 December 2007	564	1,114,683
16	Reconciliation of movements in shareholders' funds	2007 £	2006 £
	Retained profit for the financial year	333,501	407,437
	Proceeds from the issue of shares	-	-
	Net addition to shareholders' funds	333,501	407,437
	Opening shareholders' funds	782,246	374,809
	Closing shareholders' funds	1,115,747	782,246
17	Taxation	2007 £	2006 £
	<i>Analysis of charge in year</i>		
	<i>Current tax</i>		
	UK Corporation Tax on profits of the year	18,907	144,930
	Adjustments in respect of prior years	17	628
	Foreign tax	616	26,387
	Total current tax	19,540	171,945

LYMINGTON UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2007

17 Taxation (continued)	2007	2006
	£	£
<i>Analysis of charge in year</i>		
<i>Deferred tax</i>		
Origination and reversal of timing differences	104,590	4,279
Changes in tax rates	(10,160)	-
Adjustment to the estimated recoverable amounts of deferred tax assets arising in prior years	-	-
Other items	-	-
Total deferred tax	94,430	4,279
Tax on profit on ordinary activities	113,970	176,224

Factors affecting tax charge for the year

The tax assessed for the year is lower (2006 - lower) than the standard rate of Corporation Tax in the UK of 20 00% (2006 - 30 00%) The differences are explained below

	2007	2006
	£	£
Profit on ordinary activities before taxation	447,471	583,661
Profit on ordinary activities before taxation multiplied by the standard rate of Corporation Tax in the UK of 20 00% (2006 - 30 00%)	89,494	175,098
<i>Effects of</i>		
Expenses not deductible for tax purposes	-	-
Timing differences arising from the taxation of the underwriting results	(69,971)	(3,781)
Timing differences arising from the taxation of syndicate participation movements	-	-
Tax losses carried forward	-	-
Adjustments to tax charge in respect of prior periods	17	628
Other adjustments	-	-
Current tax charge for the year	19,540	171,945

Factors that may affect future tax charges

The company has trading losses of £Nil (2006 - £Nil) available for carry forward against future trading profits

LYMINGTON UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2007

17 Taxation (continued)	2007 £	2006 £
<i>Provision for deferred tax</i>		
At 1 January 2007	49,485	-
Charge to the profit and loss account	94,430	49,485
Released or utilised in the year	-	-
At 31 December 2007	143,915	49,485

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 (2006 - £Nil)

18 Other creditors	Syndicate £	Corporate £	2007 £	2006 £
Other creditors	305,452	84,545	389,997	465,416
Social security costs	-	-	-	-
Corporation tax	-	18,907	18,907	145,419
Shareholders' loan account	-	572,954	572,954	685,229
	305,452	676,406	981,858	1,296,064

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

19 Reconciliation of operating profit before interest to net cash inflow/(outflow) from operating activities	2007 £	2006 £
Operating profit before interest	425,466	395,694
Current year result not distributable in year	(558,458)	(470,511)
Prior year result distributable in year	186,422	454,773
Loss/(Profit) on sale of syndicate participation rights	-	(116,952)
Increase/(Decrease) in creditors	52,788	(85,084)
Decrease/(Increase) in debtors	134,313	(245,339)
Amortisation and impairment of syndicate participation rights	7,773	9,734
Net cash inflow/(outflow) from operating activities	248,304	(57,685)

LYMINGTON UNDERWRITING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2007

20 Fund's at Lloyd's

Cash balances of £49,424 (2006 £104,853) detailed in note 13 and investments of £1,309,487 (2006 £1,198,844) 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 (2006 £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 2007 AMC Limited provided additional funding of £137,725 (2006 - £78,062) and withdrew funding of £250,000 (2006 - £150,000). Included within creditors at 31 December 2007 is £572,954 (2006 - £685,229) which is due to AMC Limited. Interest of £49,450 (2006 - £63,886) was charged by AMC Limited on the amount outstanding. 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 2007

23 Syndicates

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

Syn No	Managing agent	2008 Allocated Capacity	2007 Allocated Capacity	2006 Allocated Capacity	2005 Allocated Capacity *
0033	Hiscox Syndicates Limited	208,165	260,206	247,707	230,460
0218	Cox Syndicate Management Limited	87,412	87,412	83,250	70,000
0260	KGM Underwriting Agencies Limited	168,995	157,245	135,323	125,882
0318	Beaufort Underwriting Agency Limited	90,000	90,000	50,000	50,000
0386	Limit Underwriting Limited	85,008	85,008	85,008	106,259
0510	R J Kiln & Co Limited	246,588	308,235	262,194	228,991
0557	R J Kiln & Co Limited	75,295	75,295	34,350	30,000
0609	Atrium Underwriters Limited	86,578	86,578	56,578	56,578
0623	Beazley Furlonge Limited	158,465	168,447	162,561	225,417
0727	S A Meacock & Co Limited	98,015	38,015	38,015	-
0780	Advent Underwriting Limited	-	163,046	163,046	203,046
0958	Omega Underwriting Agents Limited	261,960	261,960	261,960	236,000
1200	Heritage Managing Agency Limited	58,941	-	-	-
2010	Cathedral Underwriting Limited	156,522	156,522	130,468	104,375
2020	Wellington Underwriting Agencies Limited	-	-	255,999	233,600
2525	Abacus Syndicates Limited	120,388	120,388	143,318	163,089
2526	Abacus Syndicates Limited	67,417	67,417	67,417	76,204
2791	Managing Agency Partners Limited	270,071	310,579	270,043	220,000
3245	Heritage Managing Agency Limited	-	50,066	-	-
6101	Argenta Syndicate Management	271,998	271,998	-	-
6103	Managing Agency Partners Limited	69,000	69,000	-	-
6104	Hiscox Syndicates Limited	40,000	-	-	-
<i>* shading denotes year of account in run-off</i>		£ 2,620,818	£ 2,827,417	£ 2,447,237	£ 2,359,901

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