

Company registration number (England and Wales) 4195559

## LYMINGTON UNDERWRITING LIMITED

*DIRECTORS' REPORT AND FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED 31 DECEMBER 2009*



**LYMINGTON UNDERWRITING LIMITED**

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# LYMINGTON UNDERWRITING LIMITED

## COMPANY INFORMATION

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### 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 Minories London EC3N 1LS
Auditors	Humphrey & Co 7 - 9 The Avenue Eastbourne East Sussex BN21 3YA

# LYMINGTON UNDERWRITING LIMITED

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2009

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The directors have pleasure in presenting their report together with the financial statements for the year ended 31 December 2009

### Results and dividends

The profit for the year after taxation was £371,689 (2008 loss £29,234) 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 01 January 2002.

The result for the year is in respect of the 2009 annual accounting year, which consists of movements in the 2007, 2008 and 2009 years of account as well as any 2006 and prior run-off years. Gross premiums written increased from £2,684,081 to £2,874,709 compared to the previous year and the overall balance on the technical account decreased from £447,626 to £423,970 as a result of the level of claims experienced

The company has continued to underwrite on the 2010 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

### Financial risk management objectives and policies

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

Hedge accounting is not used by the Company

### Key Performance Indicators

The directors monitor the performance of the Company by reference to the following key performance indicators

	2009	2008
Capacity (youngest underwriting year) (£)	2,425,559	2,620,818
Gross premium written as a % of capacity	118.5 %	102.4 %
Underwriting profit of latest closed year as a % of capacity	16.8 %	26.6 %
Run-off years of account movement (£)	-	5,390
Combined ratio	89.7 %	82.9 %

The combined ratio is the ratio of net claims incurred, commissions and expenses to net premiums earned

# LYMINGTON UNDERWRITING LIMITED

## DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2009

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### Directors

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

A D N Balme

R N Balme

Nomina Plc

### Statement of directors' responsibilities

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 2006


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.

### Auditors

The auditors, Humphrey & Co, are deemed to be reappointed under Section 487(2) of the Companies Act 2006

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 16<sup>th</sup> July 2010 and signed on its behalf by



A D N Balme  
Director

# LYMINGTON UNDERWRITING LIMITED

## INDEPENDENT AUDITORS REPORT

### TO THE SHAREHOLDERS OF LYMINGTON UNDERWRITING LIMITED

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We have audited the financial statements of Lymington Underwriting Limited for the year ended 31 December 2009 on pages 5 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 a Report of the Auditors 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 directors and auditors

As explained more fully in the directors' report set out on page 3, the directors are responsible for the preparation of the Annual Report and the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

#### Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

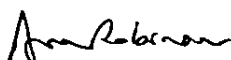
#### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Andrew Robinson (Senior Statutory Auditor)  
for and on behalf of Humphrey & Co  
Chartered Accountants  
Registered Auditor

Date 3 August 2010

Humphrey & Co  
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 2009**

	Note	2009 £	2008 £
Gross premiums written	2	2,874,709	2,684,081
Outward reinsurance premiums		(564,223)	(438,476)
Net premiums written		2,310,486	2,245,605
Change in the provision for unearned premiums			
Gross provision		121,216	(20,397)
Reinsurers' share		21,263	8,689
Net change in the provision for unearned premiums		142,479	(11,708)
Earned premiums net of reinsurance		2,452,965	2,233,897
Allocated investment income	4	178,721	70,623
Claims paid			
Gross amount		(1,610,263)	(1,389,540)
Reinsurers' share		239,159	230,567
Net claims paid		(1,371,104)	(1,158,973)
Change in provision for claims			
Gross amount		71,662	(378,660)
Reinsurers' share		(29,072)	107,385
Net change in provision for claims		42,590	(271,275)
Claims incurred net of reinsurance		(1,328,514)	(1,430,248)
Net operating expenses	5	(872,646)	(421,883)
Investment expenses and charges		(6,556)	(4,763)
Balance on technical account for general business		423,970	447,626

# LYMINGTON UNDERWRITING LIMITED

## PROFIT AND LOSS ACCOUNT - NON TECHNICAL ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 £	2008 £
Balance on the general business technical account		423,970	447,626
Investment income	6	292,666	(399,258)
Other income	7	48,000	11,093
Other charges		(263,192)	(142,497)
Profit/(Loss) on ordinary activities before taxation	8	501,444	(83,036)
Tax on profit/(loss) on ordinary activities	17	(129,755)	53,802
Profit/(Loss) for the financial year		371,689	(29,234)

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 2009

ASSETS	Note	Syndicate Assets £	Corporate £	2009 Total £	2008 Total £
<b>Intangible assets</b>					
Syndicate participation rights	9	-	5,694	5,694	11,389
<b>Investments</b>					
Financial investments	10	3,434,768	1,114,088	4,548,856	4,485,714
Deposits with ceding undertakings		647	-	647	1,641
<b>Total investments</b>		<b>3,435,415</b>	<b>1,114,088</b>	<b>4,549,503</b>	<b>4,487,355</b>
<b>Reinsurers' share of technical provisions</b>					
Provision for unearned premiums		122,484	-	122,484	133,508
Claims outstanding		461,204	-	461,204	608,848
Other technical provisions		350,706	-	350,706	325,142
<b>Total reinsurers' share of technical provisions</b>		<b>934,394</b>	<b>-</b>	<b>934,394</b>	<b>1,067,498</b>
<b>Debtors</b>					
Arising out of direct insurance operations	11				
Policyholders		3,500	-	3,500	3,060
Intermediaries		579,751	-	579,751	648,839
Arising out of reinsurance operations	11	83,971	-	83,971	118,608
Other debtors	12	920,008	667,495	1,587,503	1,888,268
<b>Total debtors</b>		<b>1,587,230</b>	<b>667,495</b>	<b>2,254,725</b>	<b>2,658,775</b>
<b>Other assets</b>					
Cash at bank	13	483,696	338,056	821,752	843,334
Other		2,991	-	2,991	556
<b>Total other assets</b>		<b>486,687</b>	<b>338,056</b>	<b>824,743</b>	<b>843,890</b>
<b>Prepayments and accrued income</b>					
Accrued interest		13,304	-	13,304	11,453
Deferred acquisition costs		236,720	-	236,720	274,322
Other prepayments and accrued income		16,610	3,019	19,629	18,856
<b>Total prepayments and accrued income</b>		<b>266,634</b>	<b>3,019</b>	<b>269,653</b>	<b>304,631</b>
<b>Total assets</b>		<b>6,710,360</b>	<b>2,128,352</b>	<b>8,838,712</b>	<b>9,373,538</b>

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# LYMINGTON UNDERWRITING LIMITED

## BALANCE SHEET (continued) AS AT 31 DECEMBER 2009

	Note	Syndicate Liabilities £	Corporate £	2009 Total £	2008 Total £
<b>LIABILITIES</b>					
<b>Capital and reserves</b>					
Called-up share capital	14	-	500	500	500
Share premium account	15	-	564	564	564
Profit and loss account	15	-	1,457,138	1,457,138	1,085,449
Shareholder's funds attributable to equity interests	16	-	1,458,202	1,458,202	1,086,513
<b>Technical provisions</b>					
Provision for unearned premiums		1,062,808	-	1,062,808	1,872,840
Claims outstanding - gross amount		4,811,354	-	4,811,354	4,800,260
Total technical provisions		5,874,162	-	5,874,162	6,673,100
<b>Provisions for other risks and charges</b>					
Provision for taxation	17	-	179,216	179,216	88,588
Deposits received from reinsurers		-	-	-	-
<b>Creditors</b>					
Arising out of direct insurance operations		153,663	-	153,663	136,692
Arising out of reinsurance operations		319,717	-	319,717	362,315
Amounts due to credit institutions		124	-	124	358
Other creditors	18	322,643	387,898	710,541	991,260
Total creditors		796,147	387,898	1,184,045	1,490,625
<b>Accruals and deferred income</b>					
Other accruals and deferred income		40,051	103,036	143,087	34,712
<b>Total liabilities</b>		<b>6,710,360</b>	<b>2,128,352</b>	<b>8,838,712</b>	<b>9,373,538</b>

Approved by the Board on 16<sup>th</sup> July 2010 and signed on its behalf by



A D N Balme  
Director

COMPANY REGISTRATION NO 4195559

# LYMINGTON UNDERWRITING LIMITED

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 £	2008 £
Net cash inflow from operating activities	19	302,432	196,148
Returns on investments and servicing of finance			
Interest received		4,454	9,380
Interest paid		(25,023)	(42,368)
Dividends received		32,297	34,653
Net cash inflow from returns on investments and servicing of finance		11,728	1,665
Taxation			
UK corporation tax paid		-	(16,700)
Foreign tax paid		(8,087)	(3,732)
Net cash outflow from taxation		(8,087)	(20,432)
Capital expenditure and financial investment			
Purchase of syndicate participation rights		-	2,841
Proceeds from sale of syndicate participation rights		48,000	-
Purchase of investments		(195,363)	(155,988)
Proceeds from sale of investments		182,492	187,032
Net cash inflow from capital expenditure and financial investment		35,129	33,885
Net cash inflow before financing		341,202	211,266
Financing			
Funds withdrawn from the company by the company's shareholders		(138,547)	(142,222)
Net cash outflow from financing		(138,547)	(142,222)
Increase in cash		202,655	69,044
Net funds at 1 January		135,401	66,357
Increase in cash in the year		202,655	69,044
Net funds at 31 December		338,056	135,401

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 2009**

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### **1 Accounting policies**

#### **1.1 Basis of preparation**

The Financial Statements have been prepared in accordance with the Companies Act 2006 and Regulation 6 of Schedule 3 to the Large and Medium Sized Companies And Groups (Accounts and Reports) Regulations 2008 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 2009**

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### **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 2009**

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### **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 2009

2	Class of business	Gross written premiums £	Gross premiums earned £	Gross claims incurred £	Operating expenses £	Reinsurance balance £
	2009	£	£	£	£	£
	Direct					
	Accident and health	73,171	71,352	(38,549)	(29,328)	(3,718)
	Motor - third party liability	79,152	73,346	(76,923)	(19,250)	(3,451)
	Motor - other classes	292,928	271,805	(269,535)	(74,868)	(5,821)
	Marine, aviation and transport	256,220	262,826	(106,107)	(76,385)	(30,753)
	Fire and other damage to property	556,019	566,035	(285,780)	(186,340)	(68,737)
	Third party liability	534,727	560,762	(268,709)	(176,719)	(38,509)
	Credit and suretyship	32,411	31,962	(37,102)	(8,576)	2,986
	Other	8,293	8,048	(3,369)	(3,304)	(17)
	Total direct	1,832,921	1,846,136	(1,086,074)	(574,770)	(148,020)
	Reinsurance business					
	Reinsurance balance	1,041,788	1,149,789	(452,527)	(297,876)	(184,853)
	Total	2,874,709	2,995,925	(1,538,601)	(872,646)	(332,873)
	2008	£	£	£	£	£
	Direct					
	Accident and health	56,234	53,046	(17,586)	(14,637)	371
	Motor - third party liability	66,716	61,117	(43,989)	(11,706)	3,422
	Motor - other classes	246,035	242,242	(185,996)	(49,110)	(9,395)
	Marine, aviation and transport	240,713	250,034	(220,052)	(42,758)	19,948
	Fire and other damage to property	521,495	519,408	(362,238)	(101,074)	(18,623)
	Third party liability	529,234	526,768	(341,354)	(95,926)	8,660
	Credit and suretyship	29,048	26,536	(8,088)	(6,115)	(3,764)
	Other	7,152	6,330	(3,232)	(1,753)	(101)
	Total direct	1,696,627	1,685,481	(1,182,535)	(323,079)	518
	Reinsurance business					
	Reinsurance balance	987,454	978,203	(585,665)	(98,804)	(92,353)
	Total	2,684,081	2,663,684	(1,768,200)	(421,883)	(91,835)

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 2009

<b>3</b>	<b>Geographical analysis</b>	<b>2009</b>	<b>2008</b>
		<b>£</b>	<b>£</b>
	Direct gross premiums written in		
	United Kingdom	2,874,709	2,684,081
	Other EU member states	-	-
	The rest of the world	-	-
	<b>Total</b>	<b>2,874,709</b>	<b>2,684,081</b>
<hr/>			
<b>4</b>	<b>Allocated investment income</b>	<b>2009</b>	<b>2008</b>
		<b>£</b>	<b>£</b>
	Investment income	194,606	63,170
	Realised (loss)/gain on investments	(15,885)	7,453
	<b>Total</b>	<b>178,721</b>	<b>70,623</b>
<hr/>			
<b>5</b>	<b>Net operating expenses</b>	<b>2009</b>	<b>2008</b>
		<b>£</b>	<b>£</b>
	Acquisition costs	579,291	548,543
	Administrative expenses	227,928	222,534
	Loss/(Profit) on exchange	65,427	(349,194)
	<b>Total</b>	<b>872,646</b>	<b>421,883</b>



# LYMINGTON UNDERWRITING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2009

6	Investment income	2009 £	2008 £
	Income from other investments (including interest receivable)	36,751	44,033
	Realised gain/(loss) from other investments	16,588	(14,843)
	Unrealised gain/(loss) from other investments	239,327	(428,448)
	<b>Total</b>	<b>292,666</b>	<b>(399,258)</b>

7	Other income	2009 £	2008 £
	Profit on sale of syndicate participation rights	48,000	2,841
	Other	-	8,252
	<b>Total</b>	<b>48,000</b>	<b>11,093</b>

8	Profit/(Loss) on ordinary activities before taxation	2009 £	2008 £
	This is stated after charging		
	Auditor's remuneration - audit	640	625
	Auditor's remuneration - other	1,185	1,195
	Director's remuneration	202,139	-
	Employer's pension contributions	10,000	17,761
	Amortisation of syndicate capacity	5,695	6,296

The average number of persons, including directors, employed during the year was 2 (2008 2)

# LYMINGTON UNDERWRITING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2009

<b>9 Intangible assets</b>	<b>Syndicate Participation Rights</b>
	<b>£</b>
<b>Cost</b>	
At 1 January 2009	53,543
Additions	-
Disposals	(2,797)
<b>At 31 December 2009</b>	<b>50,746</b>
<b>Amortisation</b>	
At 1 January 2009	42,154
Charge for the year	5,695
Impairment losses	-
Disposals	(2,797)
<b>At 31 December 2009</b>	<b>45,052</b>
<b>Net book value</b>	
At 31 December 2009	5,694
<b>At 31 December 2008</b>	<b>11,389</b>

<b>10 Investments Financial investments</b>	<b>Syndicate</b>	<b>Corporate</b>	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>	<b>Total</b>	<b>Total</b>
			<b>£</b>	<b>£</b>
<i>At market value</i>				
Shares and other variable yield securities	247,815	1,114,088	1,361,903	1,077,429
Debt securities and other fixed income securities	3,034,765	-	3,034,765	3,250,780
Participation in investment pools	105,529	-	105,529	87,968
Loans guaranteed by mortgage	2,347	-	2,347	2,675
Other loans	129	-	129	17,817
Deposits with credit institutions	39,192	-	39,192	41,151
Other	4,991	-	4,991	7,894
<b>Total</b>	<b>3,434,768</b>	<b>1,114,088</b>	<b>4,548,856</b>	<b>4,485,714</b>

The corporate investments held include £1,114,088 (2008 £843,502) 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 2009

### 10 Investments: Financial investments (continued)

	Syndicate £	Corporate £	2009 Total £	2008 Total £
<i>At cost</i>				
Shares and other variable yield securities	241,498	890,527	1,132,025	1,103,228
Debt securities and other fixed income securities	3,021,369	-	3,021,369	3,294,048
Participation in investment pools	96,713	-	96,713	97,080
Loans guaranteed by mortgage	2,517	-	2,517	3,239
Other loans	129	-	129	17,794
Deposits with credit institutions	38,765	-	38,765	41,420
Other	5,202	-	5,202	10,817
<b>Total</b>	<b>3,406,193</b>	<b>890,527</b>	<b>4,296,720</b>	<b>4,567,626</b>

### 11 Debtors arising out of direct insurance and reinsurance operations

	Syndicate £	Corporate £	2009 Total £	2008 Total £
The following amounts are due after one year				
Direct insurance operations	333,009	-	333,009	465,463
Reinsurance operations	8,350	-	8,350	6,179
<b>Total</b>	<b>341,359</b>	<b>-</b>	<b>341,359</b>	<b>471,642</b>

### 12 Other debtors

	Syndicate £	Corporate £	2009 Total £	2008 Total £
Deferred tax	-	-	-	-
Other	920,008	667,495	1,587,503	1,888,268
<b>Total</b>	<b>920,008</b>	<b>667,495</b>	<b>1,587,503</b>	<b>1,888,268</b>

Corporate other debtors includes £193,885 (2008 £243,525) due to the company after more than one year.

Syndicate other debtors includes £31,162 (2008 £23,437) due to the company after more than one year

### 13 Cash at bank

	Syndicate £	Corporate £	2009 Total £	2008 Total £
Lloyd's deposit	242,450	135,027	377,477	557,375
Cash at bank and in hand	241,246	203,029	444,275	285,959
<b>Total</b>	<b>483,696</b>	<b>338,056</b>	<b>821,752</b>	<b>843,334</b>

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 2009

14	Share capital	2009 £	2008 £
	<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 2009	564	1,085,449
	Profit during the year	-	371,689
	At 31 December 2009	564	1,457,138
16	Reconciliation of movements in shareholders' funds	2009 £	2008 £
	Retained profit/(loss) for the financial year	371,689	(29,234)
	Proceeds from the issue of shares	-	-
	Net addition to/(depletion in) shareholders' funds	371,689	(29,234)
	Opening shareholders' funds	1,086,513	1,115,747
	Closing shareholders' funds	1,458,202	1,086,513
17	Taxation	2009 £	2008 £
	<i>Analysis of charge in year</i>		
	<i>Current tax</i>		
	UK Corporation Tax on profits of the year	31,040	-
	Adjustments in respect of prior years	-	(2,207)
	Foreign tax	8,087	3,732
	Total current tax	39,127	1,525

# LYMINGTON UNDERWRITING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2009

17 Taxation (continued)	2009	2008
	£	£
<i>Analysis of charge in year</i>		
<i>Deferred tax</i>		
Origination and reversal of timing differences	75,437	80,454
Changes in tax rates	15,191	(35,979)
Adjustment to the estimated recoverable amounts of deferred tax assets arising in prior years	-	-
Other items	-	(99,802)
<b>Total deferred tax</b>	<b>90,628</b>	<b>(55,327)</b>
 Tax on profit/(loss) on ordinary activities	 129,755	 (53,802)

### *Factors affecting tax charge for the year*

The tax assessed for the year is lower (2008 - higher) than the standard rate of Corporation Tax in the UK of 21.00% (2008 - 21.00%). The differences are explained below

	2009	2008
	£	£
<b>Profit/(Loss) on ordinary activities before taxation</b>	<b>501,444</b>	<b>(83,036)</b>
 Profit/(Loss) on ordinary activities before taxation multiplied by the standard rate of Corporation Tax in the UK of 21.00% (2008 - 21.00%)	 105,303	 (17,438)
<i>Effects of</i>		
Expenses not deductible for tax purposes	-	-
Timing differences arising from the taxation of the underwriting results	21,893	(80,454)
Timing differences arising from the taxation of syndicate participation movements	6	-
(Utilisation of tax losses)/Tax losses carried forward	(85,500)	97,892
Adjustments to tax charge in respect of prior periods	-	(2,207)
Other adjustments	(2,575)	3,732
<b>Current tax charge for the year</b>	<b>39,127</b>	<b>1,525</b>

### *Factors that may affect future tax charges*

The company has trading losses of £Nil (2008 - £466,151) available for carry forward against future trading profits

# LYMINGTON UNDERWRITING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2009

17 Taxation (continued)	2009 £	2008 £
<i>Provision for deferred tax</i>		
At 1 January 2009	88,588	-
Charge to the profit and loss account	90,628	88,588
Released or utilised in the year	-	-
At 31 December 2009	179,216	88,588

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 (2008 - £Nil)

18 Other creditors	Syndicate £	Corporate £	2009 £	2008 £
Other creditors	322,643	64,673	387,316	560,528
Social security costs	-	-	-	-
Corporation tax	-	31,040	31,040	-
Shareholders' loan account	-	292,185	292,185	430,732
	322,643	387,898	710,541	991,260

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

19 Reconciliation of operating profit before interest to net cash inflow from operating activities	2009 £	2008 £
Operating profit before interest	233,801	358,590
Current year result not distributable in year	(423,970)	(447,626)
Prior year result distributable in year	655,791	62,290
Profit on sale of syndicate participation rights	(48,000)	(2,841)
(Decrease)/Increase in creditors	(130,895)	97,826
Decrease in debtors	10,010	121,613
Amortisation and impairment of syndicate participation rights	5,695	6,296
Net cash inflow from operating activities	302,432	196,148

# **LYMINGTON UNDERWRITING LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2009**

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### **20 Fund's at Lloyd's**

Cash balances of £135,027 (2008 £81,030) detailed in note 13 and investments of £1,114,088 (2008 £843,502) 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 (2008 £Nil) which are also used by the company to support its Lloyd's underwriting.

### **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 2009 AMC Limited provided additional funding of £25,453 (2008 - £42,778) and withdrew funding of £164,000 (2008 - £185,000). Included within creditors at 31 December 2009 is £292,185 (2008 - £430,732) which is due to AMC Limited. Interest of £25,023 (2008 - £42,368) 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 2009

### 22 Syndicates

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

Syn No	Managing agent	2010 Allocated Capacity	2009 Allocated Capacity	2008 Allocated Capacity	2007 Allocated Capacity *
0033	Hiscox Syndicates Limited	297,377	223,034	208,165	260,206
0218	Cox Syndicate Management Limited	101,014	93,967	87,412	87,412
0260	KGM Underwriting Agencies Limited	228,160	228,160	168,995	157,245
0318	Beaufort Underwriting Agency Limited	100,350	90,000	90,000	90,000
0386	Limit Underwriting Limited	91,287	85,008	85,008	85,008
0510	R J Kiln & Co Limited	385,837	264,211	246,588	308,235
0557	R J Kiln & Co Limited	75,295	75,295	75,295	75,295
0609	Atrium Underwriters Limited	110,495	80,264	86,578	86,578
0623	Beazley Furlonge Limited	225,315	149,837	158,465	168,447
0727	S A Meacock & Co Limited	106,219	98,015	98,015	38,015
0780	Advent Underwriting Limited	-	-	-	163,046
0958	Omega Underwriting Agents Limited	159,357	261,960	261,960	261,960
1200	Hentage Managing Agency Limited	-	-	58,941	-
1969	Marlborough Underwriting Agency Limited	60,000	-	-	-
2010	Cathedral Underwriting Limited	182,614	156,522	156,522	156,522
2020	Wellington Underwriting Agencies Limited	-	-	-	-
2525	Abacus Syndicates Limited	120,388	120,388	120,388	120,388
2526	Abacus Syndicates Limited	67,417	67,417	67,417	67,417
2791	Managing Agency Partners Limited	334,269	270,071	270,071	310,579
3245	Heritage Managing Agency Limited	-	-	-	50,066
6101	Argenta Syndicate Management	-	-	271,998	271,998
6103	Managing Agency Partners Limited	30,117	69,000	69,000	69,000
6104	Hiscox Syndicates Limited	50,001	50,000	40,000	-
6106	Amlin Underwriting Limited	42,410	42,410	-	-
<i>* shading denotes year of account in run-off</i>		£ 2,767,922	£ 2,425,559	£ 2,620,818	£ 2,827,417