

Company registration number: 3599698

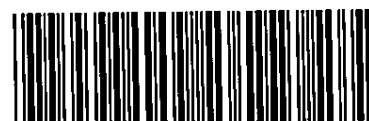
## Silver Lining 55 Limited

### Report and financial statements 31 December 2007

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# **Silver Lining 55 Limited**

## **Company information**

### **Directors**

Mr M G H Heald  
Mrs L J F Heald

### **Company Secretary**

Argenta Secretariat Limited

### **Registered Office**

Fountain House  
130 Fenchurch Street  
London EC3M 5DJ

### **Auditors**

Mazars LLP  
Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD

### **Accountants**

Axiom Consulting Limited  
Lloyds Chambers  
1 Portsoken Street  
London E1 8DF

# **Silver Lining 55 Limited**

## **Report of the Directors**

The Directors submit their Report together with the Financial Statements of the Company for the year ended 31 December 2007

### **Principal Activities and Business Review**

The principal activity of the Company is that of trading as a Lloyd's corporate capital member. The company continues to underwrite for the 2008 year of account.

The Financial Statements incorporate the annual accounting results of the syndicates on which the Company participates for the 2005, 2006 and 2007 years of account, as well as any 2004 and prior run-off years. The 2005 year closed at 31 December 2007 with a result of £- (2004 - £120,973). The 2006 and 2007 open underwriting account will normally close at 31 December 2008 and 2009.

Certain syndicates on which the Company participates have for a variety of reasons been unable to close. There is a greater than usual degree of uncertainty as to the eventual outcome of these accounts.

### **Results and Dividends**

The results for the year are set out on pages 7 to 8 of the Financial Statements. Dividends totalling £- were paid in the year (2006 - £-).

## Silver Lining 55 Limited

### Report of the Directors (continued)

#### Financial risk management objectives and policies

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

Hedge accounting is not used by the Company.

#### Key Performance Indicators

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

	2007	2006
Capacity (youngest underwriting year)	255,366	495,525
Gross premium written as a % of capacity	124.2%	92.7%
Underwriting profit of latest closed year		
as a % of capacity	0.0%	15.1%
Run-off years of account movement	13,544	-
Combined ratio	81.8%	83.5%

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

#### Directors

The Directors who served at any time during the year were as follows:

Mr M G H Heald

Mrs L J F Heald

## Silver Lining 55 Limited

### Report of the Directors (continued)

#### Statement of Directors' Responsibilities

Company law requires the Directors to prepare Financial Statements for each financial period which give a true and fair view of the affairs of the Company and of the profit or loss of the Company for that period. 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, and
- 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. They 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 Company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with section 386 (1) of the Companies Act 1985. Therefore, the auditors, Mazars LLP, will be deemed to be reappointed for each succeeding financial year.

**In the case of each of the persons who are Directors at the time this report is approved, the following applies:**

- (a) So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board on *May 17* 2008  
and signed on its behalf by



Director

# **Silver Lining 55 Limited**

## **Independent Auditors' report**

### **Independent auditors' report to the members of Silver Lining 55 Limited**

We have audited the financial statements of Silver Lining 55 Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and related notes. These financial statements have been prepared under the accounting policies set out therein. This report is made solely to the Company's members 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 it in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, 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 the Company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

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

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the 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.

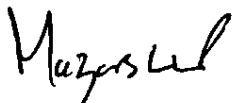
## Silver Lining 55 Limited

### Independent Auditors' report (continued)

#### 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 result for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



**Mazars LLP**  
Chartered Accountants  
and Registered Auditors  
Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD

21 May 2008

# Silver Lining 55 Limited

## Profit and loss account

### Technical account – general business

For the year ended 31 December 2007

	Note	2007 £	2006 £
<b>Premiums Written</b>			
Gross premiums written	1	317,213	459,461
Outward reinsurance premiums	1	(62,748)	(112,386)
<b>Net Premiums Written</b>		<u>254,465</u>	<u>347,075</u>
<b>Change in the provision for Unearned premiums</b>			
Gross Provision		54,292	(144,680)
Reinsurers' share		(12,773)	32,576
<b>Earned Premiums, Net of Reinsurance</b>		<u>295,984</u>	<u>234,971</u>
<b>Allocated Investment Return Transferred from the Non-Technical Account</b>		15,859	39,083
Other technical income, net of reinsurance		110	-
<b>Claims Paid</b>			
Gross Amount	1	(88,799)	(317,689)
Reinsurers' share	1	22,252	100,622
<b>Net claims paid</b>		<u>(66,547)</u>	<u>(217,067)</u>
<b>Change in Provision for Claims</b>			
Gross amount	1	(65,681)	210,819
Reinsurers' share	1	(47)	(84,987)
<b>Change in net provision for claims</b>		<u>(65,728)</u>	<u>125,832</u>
<b>Claims Incurred, Net of Reinsurance</b>		<u>(132,275)</u>	<u>(91,235)</u>
Changes in other technical provisions, net of reinsurance		-	-
Net operating expenses	2	(109,685)	(104,896)
Other technical charges, net of reinsurance		-	-
<b>Balance on the Technical Account for General Business</b>		<u>69,993</u>	<u>77,923</u>

The accounting policies and notes on pages 12 to 24 form part of these Financial Statements



## Silver Lining 55 Limited

### Profit and loss account

#### Non - technical account

For the year ended 31 December 2007

	Note	2007 £	2006 £
<b>Balance on Technical Account for General Business</b>		69,993	77,923
Investment income	3	18,543	50,740
Unrealised gains on investments		2,555	5,027
Investment expenses and charges	4	(1,065)	(8,886)
Unrealised losses on investments		(418)	(3,644)
Allocated investment return transferred to the general business technical account		(15,859)	(39,083)
Other income		-	16,335
Other charges		(13,292)	(33,995)
<b>Profit/(loss) on ordinary activities before taxation</b>	5	60,457	64,417
Tax on profit/(loss) on ordinary activities	6	(21,709)	(4,199)
<b>Profit/(loss) for the financial year</b>	13	38,748	60,218

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

All amounts relate to continuing operations

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

The accounting policies and notes on pages 12 to 24 form part of these Financial Statements.

# Silver Lining 55 Limited

## Balance sheet As at 31 December 2007

		31 December 2007			31 December 2006		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
<b>Assets</b>							
<b>Intangible assets</b>	8	-	8,563	8,563	-	3,427	3,427
<b>Investments</b>							
Financial investments	9	307,008	-	307,008	773,578	-	773,578
Deposits with ceding undertakings		355	-	355	511	-	511
		307,363	-	307,363	774,089	-	774,089
<b>Reinsurers' share of technical provisions</b>							
Provision for unearned premiums		-	-	-	33,788	-	33,788
Claims outstanding		115,770	-	115,770	306,714	-	306,714
Other technical provisions		-	-	-	-	-	-
		115,770	-	115,770	340,502	-	340,502
<b>Debtors</b>							
Arising out of direct insurance operations		56,430	-	56,430	106,382	-	106,382
Arising out of reinsurance operations		54,775	-	54,775	71,259	-	71,259
Other debtors	10	22,077	1	22,078	111,118	-	111,118
		133,282	1	133,283	288,759	-	288,759
<b>Other assets</b>							
Cash at bank and in hand		60,783	47,429	108,212	137,278	58,200	195,478
Other		14,610	-	14,610	424	-	424
		75,393	47,429	122,822	137,702	58,200	195,902
<b>Prepayments and accrued income</b>							
Accrued interest		850	-	850	5,463	730	6,193
Deferred acquisitions costs		31,581	-	31,581	42,114	-	42,114
Other prepayments and accrued income		379	-	379	2,085	-	2,085
		32,810	-	32,810	49,662	730	50,392
<b>Total assets</b>		664,618	55,993	720,611	1,590,714	62,357	1,653,071

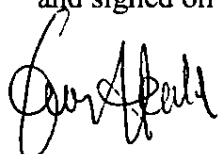
The accounting policies and notes on pages 12 to 24 form part of these Financial Statements

# Silver Lining 55 Limited

## Balance sheet As at 31 December 2007

		31 December 2007			31 December 2006		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
<b>Liabilities and shareholders' funds</b>							
<b>Capital and reserves</b>							
Called up share capital	12	-	1,250	1,250	-	1,250	1,250
Share premium account		-	-	-	-	-	-
Profit and loss account	13	96,352	7,473	103,825	143,419	(78,342)	65,077
<b>Shareholders' funds – attributable to equity interests</b>	14	96,352	8,723	105,075	143,419	(77,092)	66,327
<b>Technical provisions</b>							
Provision for unearned premiums		112,841	-	112,841	172,501	-	172,501
Claims outstanding – gross amount		377,578	-	377,578	1,116,232	-	1,116,232
Other technical provisions		-	-	-	11	-	11
<b>Provisions for other risks and charges</b>							
Deferred taxation	15	-	16,355	16,355	-	4,199	4,199
Other		-	-	-	-	-	-
<b>Deposit received from reinsurers</b>		1	-	1	2,956	-	2,956
<b>Creditors</b>							
Arising out of direct insurance operations		24,828	-	24,828	27,385	-	27,385
Arising out of reinsurance operations		29,812	-	29,812	62,337	-	62,337
Amounts owed to credit Institutions		-	-	-	152	-	152
Other creditors including taxation and social security	16	23,284	24,542	47,826	59,473	135,250	194,723
		568,344	40,897	609,241	1,441,047	139,449	1,580,496
<b>Accruals and deferred income</b>		(78)	6,373	6,295	6,248	-	6,248
<b>Total liabilities</b>		664,618	55,993	720,611	1,590,714	62,357	1,653,071

Approved by the Board of Directors on *May 17* 2008  
and signed on its behalf by



Director

The accounting policies and notes on pages 12 to 24 form part of these Financial Statements

# Silver Lining 55 Limited

## Cash flow statement

For the year ended 31 December 2007

	Note	2007 £	2006 £
<b>Operating activities</b>			
Net cash inflow/(outflow) from operating activities	17(a)	(4,431)	3,069
<b>Returns on investments and servicing of finance</b>		-	-
<b>Capital expenditure</b>			
Purchase of syndicate capacity		(5,993)	-
Proceeds from sale of syndicate capacity		-	18,560
<b>Taxation</b>			
Corporation and overseas taxes (paid)/refunded		(347)	-
<b>Equity dividends paid</b>		-	-
<b>Financing</b>			
Issue of shares		-	-
Share issue expenses		-	-
Net cash inflow/(outflow) for the year	17(b)	<u>(10,771)</u>	<u>21,629</u>
<b>Cash flows were invested as follows:</b>			
Increase/(decrease) in cash holdings		(10,771)	27,941
Purchase of financial investments		-	-
Sale of financial investments		-	(6,312)
Net investment of cash flows	17(b)	<u>(10,771)</u>	<u>21,629</u>

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

The accounting policies and notes on pages 12 to 24 form part of these Financial Statements

# **Silver Lining 55 Limited**

## **Notes to the Financial Statements For the year ended 31 December 2007**

### **Basis of preparation of financial statements**

#### **Basis of preparation**

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

#### **Recognition of insurance transactions**

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

The financial statements are prepared using the annual basis of accounting. Under the annual basis of accounting, a result is determined at the end of each accounting period reflecting the profit and loss from providing insurance coverage during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

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

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

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

#### **Sources of data**

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

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

# Silver Lining 55 Limited

## Notes to the Financial Statements For the year ended 31 December 2007

### Accounting policies

#### i Accounting convention

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

#### ii Going concern

These financial statements have been prepared on a going concern basis

#### iii Premiums

Premiums written comprise the total premiums receivable for the whole period of cover provided by the contracts incepting during the financial year, together with any adjustments arising in the year to such premiums receivable in respect of business written in prior years. Premiums are shown gross of commission payable to intermediaries and exclude insurance premium tax. Gross premiums written may include "reinsurance to close" premiums receivable (see (vii) below). Outward reinsurance premiums may include "reinsurance to close" premiums payable (see (vii) below). Premiums written by a Syndicate may also include the reinsurance of other syndicates on which the Company participates. No adjustments have been made to gross premiums written or outward reinsurance premiums (or to gross and reinsurers' claims) to remove this intersyndicate reinsurance. Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

#### iv Claims incurred

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

# Silver Lining 55 Limited

## Notes to the Financial Statements For the year ended 31 December 2007

### Accounting policies (continued)

#### v **Provision for claims outstanding**

Claims outstanding comprise amounts set aside for claims notified and claims incurred but not yet reported (IBNR). Provision is made for claims incurred but not paid in respect of events up to 31 December. The provision is based on the Returns and reports from the Managing Agents and the Company's licensed adviser or Members' Agent. When appropriate, statistical methods have been applied to past experience of claims frequency and severity.

The two most critical assumptions as regard claims provisions are that the past is a reasonable predictor of the likely level of claims development, and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred. The directors consider the provision for gross claims and related reinsurance recoveries, as based on the Returns to be fairly stated. However, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made.

#### vi **Unexpired risk provision**

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

#### vii **Reinsurance to close**

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

- (a) the assignment, or agreement to assign, to the reinsuring members of all the rights of the reinsured members arising out of, or in connection with, that insurance business (including without limitation the right to receive all future premiums, reinsurances and other monies receivable in connection with that insurance business), or
- (b) an agreement by the reinsured members that the reinsuring members shall collect on behalf of the reinsured members the proceeds of all such rights and retain them for their own benefit so far as they are not applied in discharges of the liabilities of the reinsured members.

Where the reinsurance to close is between members on successive years of account of the same Syndicate, the managing agent has a duty to ensure both sets of members are treated equitably.

# Silver Lining 55 Limited

## Notes to the Financial Statements For the year ended 31 December 2007

### Accounting policies (continued)

#### vii Reinsurance to close (continued)

and to set the reinsurance to close with the intention that neither a profit nor a loss accrues to either group of members. To the extent that the Company participates on successive years of account of the same syndicate and there is a reinsurance to close between those years, the Company has offset its share of the reinsurance to close received against its share of the reinsurance to close paid.

If the Company has increased its participation from one year of account to the next, the reinsurance to close paid is eliminated, as a result of this offset, leaving an element of the reinsurance to close received. This reflects the fact that the Company has assumed a greater proportion of the business of the Syndicate. If the Company has reduced its participation from one year of account to the next, the reinsurance to close received is eliminated, leaving an element of the reinsurance to close paid. This reflects the reduction in the Company's exposure to risks previously written by the Syndicate. The reinsurance to close is technically a reinsurance contract and, as such, the payment of a reinsurance to close does not remove from members of that year of account ultimate responsibility for claims payable on risks they have written. If the reinsuring members under the reinsurance to close become insolvent and the other elements of the Lloyd's chain of security also fail, the reinsured members remain theoretically liable for the settlement of any outstanding claims. However, payment of a reinsurance to close is conventionally accepted as terminating a reinsured member's participation on a Syndicate year of account and it is treated for accounts purposes as settling all the Company's outstanding gross liabilities in respect of the business so reinsured.

#### viii Investments

**Syndicate** Where investments represent the Company's share of syndicate investments, they are stated at current value at the balance sheet date. For this purpose, listed investments are stated at market value and deposits with credit institutions and overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date. Other Listed investments held directly by the Company, by the trustees of the Premiums Trust Fund, or as Lloyd's Deposit, are stated at market value. Unlisted investments held directly by the Company are stated at cost less provision for any permanent diminution in value.

#### ix Investment return

Investment income comprises interest receivable and dividends received plus realised and unrealised gains on the disposal of investments. Realised gains and losses arise from the difference between proceeds and valuation at the previous year end, or cost if there has been no previous revaluation. Unrealised investment gains and losses are calculated as the difference between the valuation at the balance sheet date and the valuation at the last balance sheet date or purchase price, if acquired during the year. Investment income is initially recorded in the non-technical account. All investment income arising on Syndicate participations is allocated to the technical account.



# **Silver Lining 55 Limited**

## **Notes to the Financial Statements For the year ended 31 December 2007**

### **Accounting policies (continued)**

**x Net operating expenses**

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

**xi Foreign currencies**

Transactions in United States dollars, Canadian dollars and Euros are translated at the rates of exchange ruling at the date the transaction is processed or at an appropriate average rate. Unless otherwise stated, transactions in currencies other than United States dollars, Canadian dollars and Euros are translated at the rate of exchange ruling at the date the transaction is processed. Monetary assets and liabilities are retranslated into Sterling at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities at the balance sheet date are maintained at the rate of exchange ruling when the contract was entered into (or an appropriate average rate). Exchange differences arising on translation are dealt with in the profit and loss account.

**xii Syndicate participation rights**

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

**xiii Taxation**

The Company is taxed on its share of the underwriting results declared by Syndicates and these are deemed to accrue evenly over the calendar year in which they are declared. The Syndicate results included in these financial statements (excluding any losses on open years of account) are only declared for tax purposes in the calendar year following closure of the year of account. HM Revenue & Customs agrees the taxable results of Syndicates at a Syndicate level on the basis of computations submitted by the Managing Agent. At the date of approval of these financial statements, the Syndicate taxable results of this year have not been agreed. Any adjustments that may be necessary to the tax provision as a result of HM Revenue & Customs agreement of Syndicate taxable results will be reflected in the financial statements of subsequent periods.

**xiv Deferred taxation**

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

# Silver Lining 55 Limited

## Notes to the Financial Statements For the year ended 31 December 2007

### 1. Class of Business

	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
<b>2007</b>						
<b>Direct Insurance</b>						
Accident and health	10,345	8,080	(3,322)	(3,400)	(151)	1,207
Motor – third party liability	476	305	12	(116)	(166)	35
Motor – other classes	1,775	1,742	(694)	(612)	64	500
Marine, aviation and transport	30,382	27,971	(9,284)	(7,726)	(4,157)	6,804
Fire and other damage to property	75,823	104,496	(41,830)	(38,313)	(12,969)	11,384
Third party liability	67,338	95,438	(51,929)	(27,522)	(8,225)	7,762
Credit and suretyship	2,412	2,196	(1,279)	(409)	(313)	195
Legal expenses	568	545	55	(222)	(214)	164
Assistance	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
	189,119	240,773	(108,271)	(78,320)	(26,131)	28,051
Reinsurance	128,094	130,732	(46,209)	(31,365)	(27,185)	25,973
<b>Total</b>	<b>317,213</b>	<b>371,505</b>	<b>(154,480)</b>	<b>(109,685)</b>	<b>(53,316)</b>	<b>54,024</b>
<b>2006</b>						
<b>Direct Insurance</b>						
Accident and health	6,475	4,320	(8,397)	(3,152)	(61)	(7,290)
Motor – third party liability	558	825	(311)	20	687	1,221
Motor – other classes	1,196	1,342	5,879	(1,598)	(3,393)	2,230
Marine, aviation and transport	24,265	16,358	(307)	(8,037)	(4,023)	3,991
Fire and other damage to property	115,777	61,549	(22,331)	(26,068)	(2,882)	10,268
Third party liability	120,246	72,447	(17,282)	(27,659)	(15,375)	12,131
Credit and suretyship	2,205	2,557	4,275	(1,388)	(986)	4,458
Legal expenses	538	333	295	(124)	103	607
Assistance	-	-	-	-	-	-
Miscellaneous	(70)	(78)	75	4,973	(16)	4,954
	271,190	159,653	(38,104)	(63,033)	(25,946)	32,570
Reinsurance	188,271	155,128	(68,766)	(41,863)	(38,229)	6,270
<b>Total</b>	<b>459,461</b>	<b>314,781</b>	<b>(106,870)</b>	<b>(104,896)</b>	<b>(64,175)</b>	<b>38,840</b>

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

# Silver Lining 55 Limited

## Notes to the Financial Statements For the year ended 31 December 2007

<b>2. Net Operating Expenses</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Acquisition costs	80,946	98,147
Change in deferred acquisition costs	9,372	(34,856)
Administrative expenses	8,462	13,603
Reinsurance commissions and profit participations	(3,226)	(1,001)
Personal expenses	14,131	29,003
	<b>109,685</b>	<b>104,896</b>
<b>3. Investment Income</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Income from investments	13,673	41,887
Gains on the realisation of investments	1,114	6,154
Bank deposit interest	3,756	2,699
	<b>18,543</b>	<b>50,740</b>
<b>4. Investment Expenses and Charges</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Investment management expenses, including interest	438	818
Losses on the realisation of investments	627	8,068
	<b>1,065</b>	<b>8,886</b>
<b>5. Profit/(Loss) on Ordinary Activities before Taxation</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Operating profit is stated after charging		
Directors' remuneration	-	-
Fees payable to the Company's auditor for		
- the audit of the Company's annual accounts	288	650
- tax services	287	825
Amortisation of syndicate capacity	857	857
(Profit)/loss on disposal of intangible fixed assets	-	(16,335)
(Profit)/loss on exchange	(3,530)	15,983

The Company has no employees and no staff costs are met by the Company

# Silver Lining 55 Limited

## Notes to the Financial Statements For the year ended 31 December 2007

6. Taxation	2007 £	2006 £
<b>Analysis of Charge in Period</b>		
Current tax		
UK corporation tax on profit/(loss) of the period	9,206	-
Adjustment in respect of previous period	-	-
	<hr/> 9,206	<hr/> -
Foreign tax	347	-
Total current tax	<hr/> 9,553	<hr/> -
Deferred tax		
Origination and reversal of timing differences	12,156	4,199
	<hr/> 21,709	<hr/> 4,199
 <b>Factors affecting tax charge for period</b>		
The tax assessed for the period is different to the standard rate of corporation tax in the UK of 19.75% (2006 - 19.00%) The differences are explained below		
Profit/(loss) on ordinary activities before tax	<hr/> 60,457	<hr/> 64,417
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.75% (2006 - 19.00%)	11,940	12,239
Effects of		
Underwriting results subject to timing differences for taxation	10,870	(4,199)
Utilisation of tax losses	(12,696)	(8,040)
Foreign tax	278	-
Expenses not deductible for tax purposes	(841)	-
Other corporation computation adjustments	-	-
Marginal rates of taxation and prior period adjustment	2	-
Current tax charge for the period	<hr/> 9,553	<hr/> -

The results of the Company's participation on the 2005, 2006 and 2007 years of account and the calendar year movement on 2004 and prior run-offs, will not be assessed to tax until the year ended 31 December 2008, 2009 and 2010 respectively being the year after the calendar year result of each run-off year or the normal date of closure of each year of account

# Silver Lining 55 Limited

## Notes to the Financial Statements For the year ended 31 December 2007

<b>7. Dividends</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
2007 interim dividend paid	-	-
<b>8. Intangible Assets</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>Purchased syndicate capacity</b>		
<b>Cost</b>		
At 1 January 2007	4,284	6,509
Additions	5,993	-
Disposals	-	(2,225)
At 31 December 2007	10,277	4,284
<b>Amortisation</b>		
At 1 January 2007	857	-
Provided during the year	857	857
Disposals	-	-
At 31 December 2007	1,714	857
<b>Net Book Value</b>		
At 31 December 2007	8,563	3,427
At 31 December 2006	3,427	6,509

# Silver Lining 55 Limited

## Notes to the Financial Statements For the year ended 31 December 2007

### 9. Investments

#### Other Financial Investments - Syndicate

	2007		2006	
	Market Value £	Cost £	Market Value £	Cost £
Shares and other variable yield securities and units in unit trusts	22,299	20,794	69,609	66,340
Debt securities and other fixed income securities	253,328	250,642	653,888	654,539
Participation in investment pools	776	402	8,627	8,527
Loans secured by mortgages	3,340	3,339	922	907
Other loans	-	-	6,492	6,474
Deposits with credit institutions	24,108	24,119	26,435	26,453
Other	3,157	3,157	7,605	7,636
	<u>307,008</u>	<u>302,453</u>	<u>773,578</u>	<u>770,876</u>
Listed investments included within the above	276,403	271,838	732,124	729,406

### 10. Other Debtors

	2007			2006		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Amounts due from group undertakings	-	-	-	-	-	-
Other	22,077	1	22,078	111,118	-	111,118
	<u>22,077</u>	<u>1</u>	<u>22,078</u>	<u>111,118</u>	<u>-</u>	<u>111,118</u>

# Silver Lining 55 Limited

## Notes to the Financial Statements For the year ended 31 December 2007

### 11. Funds at Lloyd's

The amount of Funds at Lloyd's is represented in the balance sheet as

	2007			2006		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Cash	-	836	836	-	31,044	31,044
Investments	-	-	-	-	-	-
	-	836	836	-	31,044	31,044

Funds at Lloyd's represents assets 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 Lloyd's Deposit Trust Deed which gives the Corporation the right to apply these monies in settlement of any claims arising from the participation on the syndicates. These monies 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.

### 12. Called-up Share Capital

	2007 Authorised	2007 Allotted, called-up and fully paid	2006 Authorised	2006 Allotted, called-up and fully paid
Ordinary 25p shares	400,000	5,000	400,000	5,000

### 13. Profit and Loss Account

	2007			2006		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Retained profit/(loss) brought forward	143,419	(78,342)	65,077	74,318	(69,459)	4,859
Reallocate distribution	(121,318)	121,318	-	344	(344)	-
Profit/(loss) for the financial year	74,251	(35,503)	38,748	68,757	(8,539)	60,218
Equity dividends	-	-	-	-	-	-
Retained profit/(loss) carried forward	96,352	7,473	103,825	143,419	(78,342)	65,077

### 14. Reconciliation of Movements in Shareholders' Funds

	2007 £	2006 £
Opening shareholders' funds	66,327	6,109
Profit/(loss) for the financial year	38,748	60,218
Equity dividends	-	-
Proceeds from issue of shares	-	-
Closing shareholders' funds	105,075	66,327

# Silver Lining 55 Limited

## Notes to the Financial Statements For the year ended 31 December 2007

### 15. Provision for other risks and charges

Deferred Taxation	2007 £	2006 £
Opening balance	4,199	-
Profit and loss account charge	12,156	4,199
Closing balance	<u>16,355</u>	<u>4,199</u>

### 16. Other Creditors including Taxation and Social Security

	2007			2006		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Corporation tax	-	9,206	9,206	-	-	-
Proprietors' loan accounts	-	5,129	5,129	-	54,680	54,680
Third Party Funds	-	983	983	-	-	-
Other creditors	23,284	9,224	32,508	59,473	80,570	140,043
Amount due to group undertakings	-	-	-	-	-	-
	<u>23,284</u>	<u>24,542</u>	<u>47,826</u>	<u>59,473</u>	<u>135,250</u>	<u>194,723</u>



# Silver Lining 55 Limited

## Notes to the Financial Statements For the year ended 31 December 2007

### 17. (a) Reconciliation of Operating Profit to Net Cash

Inflow/(Outflow) from Operating Activities	2007 £	2006 £
Profit or loss on ordinary activities before tax	60,457	64,417
(Profit)/loss attributable to syndicate transactions	47,067	(143,419)
Profit or loss – excluding syndicate transactions	107,524	(79,002)
(Increase)/decrease in debtors	729	168,116
Increase/(decrease) in creditors	(113,541)	(70,567)
(Profit)/loss on disposal of intangible assets	-	(16,335)
Amortisation of syndicate capacity	857	857
Impairment of syndicate capacity	-	-
Realised/unrealised (gains)/losses on investments	-	-
Net cash inflow/(outflow) from operating activities	(4,431)	3,069

### (b) Movement in cash, portfolio investments and financing

	At 1 January 2007 £	Cashflow £	Changes to Market Value £	At 31 December 2007 £
Cash	58,200	(10,771)	-	47,429
Other financial investments	-	-	-	-
	58,200	(10,771)	-	47,429

### 18. Related party disclosure

There are no related party issues to be disclosed in respect of the company.

### 19. Ultimate Controlling Party

The company is controlled by Mrs L J F Heald who holds 100% of the issued £1,250 ordinary share capital