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**ADVENT CAPITAL (No. 2) LIMITED**

**REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2008**

TUESDAY



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**Directors**

B F Caudle  
K D Thompson

**Company Secretary**

N M Ewing ACII

**Registered Office**

10th Floor  
1 Minster Court  
Mincing Lane  
London EC3R 7AA

**Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Hay's Galleria  
1 Hay's Lane  
London SE1 2RD

**Solicitors**

Norton Rose  
3 More London Riverside  
London  
SE1 2AQ

**Company Registration Number**

4521289

The Directors have pleasure in presenting their Report together with the Accounts for the year ended 31 December 2008.

**Business review**

The Company was a Corporate Member underwriting at Lloyd's. The Company ceased underwriting on 31 December 2005 when the 2003 year of account closed.

The Company made a loss for the period after taxation of £8,000 (2007: profit of £484,000).

**Principal Risks and Uncertainties**

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of Advent Capital (Holdings) PLC, which include those of the company, are disclosed within the risk management section of the Group's annual report which does not form part of this report.

**Key Performance Indicators (KPIs)**

The Directors of Advent Capital (Holdings) PLC manage the Group's operations at a syndicate level, rather than via individual corporate members. For this reason, the company's directors believe that analysis using KPIs for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company. The development, performance and position of the Advent Group, which includes the Company, is discussed in the business review section of Advent Capital (Holdings) PLC's annual report and accounts, which does not form part of these accounts.

**Future Outlook**

The Company will no longer participate on any syndicates.

**Directors**

The names of the current directors are listed on page 2, who all held office throughout the year.

**Dividends**

A dividend of £1,590,000 was paid on 30 May 2008 (£7.95 per share) (2007: Nil).

**Statement of disclosure of information to auditors**


Each of the persons who is a director at the date of this report confirms that:

- 1) so far as each of them is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31 December 2008 of which the auditors are unaware; and
- 2) the director has taken all steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Auditors**

The Company intends to reappoint PricewaterhouseCoopers LLP as auditors, and they have indicated their willingness to continue in office.

By Order of the Board



N M Ewing  
Secretary  
19 February 2009

**Statement of Directors' Responsibilities**

Company law requires the directors to prepare financial statements for each financial year that 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 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 UK 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 confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ADVENT CAPITAL (NO.2) LIMITED**

We have audited the financial statements of Advent Capital (No.2) Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss 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.

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London  
19 February 2009

	Note	2008 £'000	2007 £'000
Net operating expenses		(22)	(63)
<b>Operating Loss</b>		<b>(22)</b>	<b>(63)</b>
Interest receivable	3	7	754
<b>(Loss) Profit on Ordinary Activities before taxation</b>	1	<b>(15)</b>	<b>691</b>
Tax on (loss) profit on ordinary activities	4	7	(207)
<b>(Loss) Profit on Ordinary Activities after taxation</b>		<b>(8)</b>	<b>484</b>
Profit and Loss Account brought forward		1,607	1,123
Dividend paid		(1,590)	-
<b>Profit and Loss Account carried forward</b>		<b>9</b>	<b>1,607</b>

The profit above is from continuing operations.


There are no recognised gains or losses other than the profit or loss stated above.


The Accounting Policies and Notes on pages 8 to 11 form part of these Accounts.

**ADVENT CAPITAL (No. 2) LIMITED**
**BALANCE SHEET**  
**As at 31 December 2008**

	Note	2008 £'000	2007 £'000
<b>Current Assets</b>			
Debtors	5	266	1,934
<b>Creditors</b>			
Creditors - due within one year	6	(207)	(277)
		<u>59</u>	<u>1,657</u>
<b>Capital and Reserves</b>			
Called-up share capital	7	50	50
Profit and Loss Account		9	1,607
		<u>59</u>	<u>1,657</u>
<b>Total Shareholders' funds</b>	8	<u>59</u>	<u>1,657</u>

Approved by the Board on 19 February 2009

  
**B F Caudle**

  
**K D Thompson**

) Directors

The Accounting Policies and Notes on pages 8 to 11 form part of these Accounts.



**Basis of Presentation**

The Accounts are prepared under the historical cost basis of accounting, and comply with applicable Accounting Standards.

In accordance with FRS1 (Revised) the Company is exempt, as a wholly owned subsidiary, from the requirement to prepare a cashflow statement.

**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 future dates, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the assets, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit those earnings. 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 are not discounted.

**1. (Loss) Profit on Ordinary Activities before taxation**

	<b>2008 £'000</b>	<b>2007 £'000</b>
This is stated after charging:		
Auditors' remuneration in respect of audit of the accounts for the year	12	11
	<hr/>	<hr/>

**2. Employees**

All employee costs are incurred by fellow group companies. These salary costs are allocated to various group undertakings to reflect the time employees spend on that undertaking's affairs.

The total amounts allocated to this company are as follows:

	<b>2008 £'000</b>	<b>2007 £'000</b>
Staff costs		
Wages and salaries including social security costs	-	7
Pension contributions	-	1
	<hr/>	<hr/>
	-	8
	<hr/>	<hr/>

**3. Interest Receivable**

	<b>2008 £'000</b>	<b>2007 £'000</b>
Interest earned on Funds at Lloyd's	7	754
	<hr/>	<hr/>

**4. Tax on Profit/(Loss) on ordinary activities**

	<b>2008 £'000</b>	<b>2007 £'000</b>
Current Tax:		
Current tax on profit for the period	(4)	207
Foreign taxes	(3)	-
	<hr/>	<hr/>
Tax on (loss) profit on ordinary activities	(7)	207
	<hr/>	<hr/>
<b>Factors affecting tax charge for the period</b>		
(Loss) profit on ordinary activities before tax	(15)	691
	<hr/>	<hr/>
(Loss) profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.50% (30%)	(4)	207
Foreign taxes	(3)	-
	<hr/>	<hr/>
	(7)	207
	<hr/>	<hr/>

**5. Debtors**

	<b>2008 £'000</b>	<b>2007 £'000</b>
Amounts due from group undertakings	266	1,928
Foreign tax	-	6
	<hr/>	<hr/>
	266	1,934
	<hr/>	<hr/>

**6. Creditors**

	<b>2008 £'000</b>	<b>2007 £'000</b>
Amounts falling due within one year:		
Amounts due to Group undertakings	-	56
Corporation tax	203	207
Accruals	4	14
	<hr/>	<hr/>
	207	277
	<hr/>	<hr/>

**7. Called-up Share Capital**

	<b>Authorised</b>		<b>Allotted, called up and fully paid</b>	
	<b>2008 £'000</b>	<b>2007 £'000</b>	<b>2008 £'000</b>	<b>2007 £'000</b>
Ordinary shares of 25p each	250	250	50	50
Number of shares	1,000,000	1,000,000	200,000	200,000

**8. Reconciliation of movements in shareholders' funds**

	<b>2008 £'000</b>	<b>2007 £'000</b>
(Loss) profit for the financial year	(8)	484
Opening shareholders' funds	1,657	1,173
Dividend paid	(1,590)	-
Closing shareholders' funds	59	1,657

**9. Related Parties and Parent Company**

The Company is a wholly owned subsidiary of Advent Capital (Holdings) PLC. The Company has taken advantage of the exemption in Financial Reporting Standard 8 not to disclose transactions with entities that are part of the group.

Advent Capital (Holdings) PLC is incorporated and registered in England and Wales. Copies of its group accounts, which include the Company, are available from 10<sup>th</sup> Floor, 1 Minster Court, Mincing Lane, London EC3R 7AA.

Advent Capital (Holdings) PLC is itself a subsidiary of Fairfax Financial Holdings Limited, a company incorporated and registered in Canada, which is the ultimate parent Company.