



LONDON SPECIAL RISKS LIMITED

LLOYD'S BROKER

ANNUAL REPORT 2006





CHAIRMAN'S STATEMENT

I would like to begin by expressing gratitude to all our clients, many of whom are reading this report, for their support and custom. I, together with my colleagues, have served many of you for a decade or more. It is our ambition to serve you with care into the future.

The future will bring new challenges and whilst the heart of the London market might have been located in the same place for many years, virtually all other aspects of our business have moved on and the pace of change shows no signs of abating.

One of the most obvious characteristics of our chosen speciality, marine insurance, is that it is a truly international business. There is no doubt that the time is fast approaching when regional markets will have the capacity to absorb most if not all locally controlled business. In order to flourish it will be vital to participate in these regional market places and utilise the expertise that has been honed over the past decade or so.

I am glad to say that our financial position has continued to mature favourably and will allow us to make investments to secure our future.

Despite the adverse movement in the strength of the US dollar against the UK pound and a market nervously greeting significant losses, it is pleasing to report that our underlying brokerage grew by almost 10% and this combined with our usual focus on cost control resulted in a profit before tax for 2006 of £273,402 (2005: £297,527).

I reported last year that it was our ambition to repay the amount borrowed to fund the re-structuring of the Group by the close of 2008 and this has been achieved. In fact the loan has been fully repaid and our obligations satisfied a year ahead of plan.

The company remains fully supportive of initiatives that are designed to reinforce to policyholders that they can rely upon the integrity of insurers, the insurance intermediary, the product and all involved in provision of the service and continues to maintain ISO standard 9001:2000 throughout the company.

Although this statement and the report and accounts within are prepared for the benefit of the shareholders, I am committed to providing transparent information about all areas of the company's operations and am glad to share with all our business partners the information within this report.

David A. Edwards
Chairman





AUDITED REPORTS AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006



DIRECTORS: D. A. Edwards
R. W. Brown

SECRETARY: R. W. Brown

REGISTERED NUMBER: 1264149

REGISTERED OFFICE: Minster House
42 Mincing Lane
London
EC3R 7AE

AUDITORS: Mazars LLP
24 Bevis Marks
London
EC3A 7NR

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DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2006.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Company continues to trade as a Lloyd's broker specialising in Marine business. The level of business and the year-end financial position were satisfactory and the Directors expect that the level of activity of Marine business will remain at a similar level in the following year.

The majority of the Company's income is denominated in Dollars and although the underlying brokerage increased in line with expectations, the Dollar depreciated by 13% between December 2005 and December 2006, which produced an overall drop in income of 4%. Trading expenses showed a fractional decrease against 2005, again showing the Company's efforts to manage costs. Pre tax profit dropped by 8%, reflecting the decrease in income.

A dividend was declared and paid to LSR Holdings. Balance Sheet Net Assets remain strong at £1.3M.

The Company has budgeted for a further depreciation of the Dollar by 5% in 2007 against the average rate in 2006; Sterling income however is expected to rise by 1% and pre tax profit is expected to exceed the level of 2006.

The Company is a wholly owned subsidiary of LSR Holdings Limited, a company incorporated and registered in England.

REGULATION OF THE BUSINESS

The Company is regulated by the Financial Services Authority (FSA). The Company's FSA Firm Reference Number is 312125.

DIRECTORS' RESPONSIBILITIES

Company law requires 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 period. In preparing these financial statements, directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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.

Directors are responsible for maintaining 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.

DIRECTORS' REPORT

DIRECTORS

The Directors set out below have held office during the whole of the period from 1 January 2006 to the date of this report, unless otherwise stated.

D A Edwards
R W Brown

DIRECTORS' INTERESTS

Neither of the directors held any interest in the share capital of the Company.

FINANCIAL RISK MANAGEMENT

The company's activities expose it to a variety of financial risks. The majority of the company's income is earned in foreign currency, principally US dollars, and hence the business is exposed to currency risk arising from fluctuations in exchange rates. The risk is monitored and where appropriate the company enters into forward exchange contracts and options to mitigate such risks.

Little use is made of financial instruments other than operational bank accounts and managed funds. Hence the exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of assets, liabilities, financial position and profits of the company.

DONATIONS

During the year, the Company made payments of £12,642 for charitable purposes (2005 – £3,000).

DISCLOSURE OF INFORMATION TO AUDITORS

The directors of the company have, individually, considered their responsibilities to provide information to the company's auditors and in so far as each of them are aware there is no relevant audit information of which the company's auditors are unaware and each director has taken steps that he ought to have taken 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

Mazars LLP have signified their willingness to continue in office and a resolution proposing their re-appointment will be put to the forthcoming Annual General Meeting.

Approved by the Board on 30 April 2007 and signed on its behalf by:

R W BROWN, SECRETARY
Minster House, 42 Mincing Lane, London EC3R 7AE



INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF LONDON SPECIAL RISKS LTD

We have audited the financial statements of London Special Risks Limited for the year ended 31 December 2006 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 member 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 member 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 member, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of 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.

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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Mazars LLP

Chartered Accountants and Registered Auditors, 24 Bevis Marks, London

1st May 2007

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2006

	Notes	2006 £	2005 £
TURNOVER			
CONTINUING OPERATIONS	2	3,146,498	3,278,178
OTHER OPERATING INCOME	3	166,937	76,087
TRADING EXPENSES	4 to 6	(3,032,228)	(3,049,530)
OPERATING PROFIT			
CONTINUING OPERATIONS		<u>281,207</u>	<u>304,735</u>
INTEREST PAYABLE AND SIMILAR CHARGES	7	<u>(7,805)</u>	<u>(7,208)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		273,402	297,527
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	8	<u>(73,516)</u>	<u>(70,488)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION RETAINED		<u>199,886</u>	<u>227,039</u>

The Company has no recognised gains or losses other than the profit for the year, which is calculated on the historical cost basis.

**BALANCE SHEET**
as at 31 December 2006

	Notes	2006 £	2005 £
FIXED ASSETS			
TANGIBLE ASSETS	10	<u>207,958</u>	<u>227,504</u>
CURRENT ASSETS			
DEBTORS	11	17,933,425	19,495,892
CASH AT BANK	23	4,959,059	5,304,425
		<u>22,892,484</u>	<u>24,800,317</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	<u>21,622,309</u>	<u>23,420,467</u>
NET CURRENT ASSETS		<u>1,270,175</u>	<u>1,379,850</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,478,133	1,607,354
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	13	65,050	59,000
PROVISIONS FOR LIABILITIES AND CHARGES	14	60,000	40,000
NET ASSETS		<u>1,353,083</u>	<u>1,508,354</u>
CAPITAL AND RESERVES			
CALLED UP SHARE CAPITAL	15	592,693	592,693
SHARE PREMIUM	16	21,125	21,125
PROFIT AND LOSS ACCOUNT		<u>739,265</u>	<u>894,536</u>
EQUITY SHAREHOLDER'S FUNDS	17	<u>1,353,083</u>	<u>1,508,354</u>

Approved by the Board on 30 April 2007
and signed on its behalf by:

D A EDWARDS, DIRECTOR

CASH FLOW STATEMENT

for the year ended 31 December 2006

	2006	2005
£	£	£
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES (Note 18)	(32,410)	1,776,888
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
INTEREST RECEIVED	197,750	107,447
INTEREST ELEMENT OF FINANCE	<u>(7,805)</u>	<u>(7,208)</u>
LEASE RENTALS PAYMENT		
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	189,945	100,239
TAXATION		
UK CORPORATION TAX PAID	<u>(72,615)</u>	<u>(29,210)</u>
TAX PAID	(72,615)	(29,210)
CAPITAL EXPENDITURE		
PAYMENTS TO ACQUIRE TANGIBLE FIXED ASSETS	(50,387)	(21,265)
SALE OF TANGIBLE FIXED ASSETS	<u>-</u>	<u>7,645</u>
NET CASH (OUTFLOW) FROM CAPITAL EXPENDITURE	<u>(50,387)</u>	<u>(13,620)</u>
NET CASH INFLOW BEFORE DIVIDENDS AND FINANCING	34,533	1,834,297
EQUITY DIVIDEND PAID	(355,157)	-
FINANCING		
CAPITAL ELEMENT OF FINANCE LEASE RENTALS	<u>(24,742)</u>	<u>(35,157)</u>
NET CASH (OUTFLOW) FROM FINANCING	<u>(24,742)</u>	<u>(35,157)</u>
(DECREASE)/INCREASE IN CASH (Note 20)	<u>(345,366)</u>	<u>1,799,140</u>



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2006

I. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards.

a) Accounting convention

The financial statements are prepared under the historical cost convention.

b) Revenue recognition

The company recognises revenue in accordance with Amendment to Financial Reporting Standard 5, 'Reporting the substance of transactions' ("FRS 5 Application Note G"). The effect of FRS 5 Application Note G is to recognise revenue on fixed or minimum premium instalments at the point when placement services are substantially completed. Where contractual obligations exist for the performance of post placement activities a relevant proportion of revenue received on placement is deferred and recognised over the period during which these activities are performed.

c) Turnover

The company generates revenue principally from brokerage, commissions and fees associated with placing insurance contracts and programmes.

Revenues from brokerage, commissions and fees relating to fixed or minimum premiums on insurance contracts and programmes placed are recognised at the point at which placement services are substantially complete. Revenues from brokerage, commissions and fees on adjustments to minimum premiums, binding authorities and treaties are recognised on a periodic basis when consideration due is confirmed by third parties.

Where contractual obligations exist for the performance of post placement activities a relevant proportion of revenue received on placement is deferred and recognised over the period during which these activities are performed.

d) Expenses

Expenses are charged to the profit and loss account as incurred.

e) Depreciation

Depreciation is calculated to write off the cost of tangible fixed assets on a straight-line basis over their estimated useful lives.

f) Deferred taxation

Deferred tax is provided in respect of the tax effect of all timing differences at the rates of tax expected to apply when the timing differences reverse. Deferred tax assets are only recognised to the extent that they are regarded to be recoverable.

g) Foreign currencies

Assets, liabilities, revenue and costs expressed in foreign currencies are translated into sterling at rates of exchange ruling on the date on which transactions occur, except for:

- i) monetary assets and liabilities, which are translated at the rate ruling at the balance sheet date, other than those in ii) below; and
- ii) transactions covered by forward and other contracts which are translated at those contractual rates.

Differences arising on the translation of such items are dealt with in the profit and loss account.

h) Insurance broking assets and liabilities

The Company acts as an agent in broking the insurable risks of clients and, generally speaking, is not liable as a principal for premiums due to underwriters or for claims payable to clients. Notwithstanding the legal relationship with clients and underwriters, the Company has followed generally accepted accounting practice for insurance intermediaries by showing debtors, creditors and cash balances relating to insurance business as assets and liabilities of the Company itself. This recognises that the Company is entitled to retain the investment income on any cash flows arising from these transactions.

In the ordinary course of insurance broking business, settlement is required to be made with certain market settlement bureau, insurance intermediaries or insurance companies on the basis of the net balance due to or from them rather than the amount due to or from the individual third-parties which it represents.

However, under Financial Reporting Standard 5 ("FRS 5"), assets and liabilities may not be offset unless net settlement is legally enforceable and, therefore, insurance debtors and creditors are shown gross within these financial statements.

i) Finance leases

Assets held under finance leases and the related lease obligations are included at the fair value of the leased assets at the inception of the lease. Depreciation on leased assets is calculated to write off this amount on a straight-line basis over the shorter of the lease term and the useful life of the asset.

Rentals payable are apportioned between the finance charge and a reduction of the outstanding obligation for future amounts payable so that the charge for each accounting period is calculated on a straight-line basis.

j) Operating leases

Rentals payable under operating leases are charged on a straight-line basis over the term of the lease.

k) Pension costs

Contributions payable to the Company's pension schemes are charged in the profit and loss account in the period to which they relate.



	2006 £	2005 £
2. TURNOVER AND SEGMENTAL INFORMATION		
Turnover and profit before taxation are attributable to the principal activity of Lloyd's insurance broking. Turnover relates to marine, liability and excess of loss business and emanates from:		
North America	72,850	20,311
Europe	2,315,115	2,751,527
Far East and Australia	559,057	440,048
Latin America	199,476	66,292
	<u>3,146,498</u>	<u>3,278,178</u>
3. OTHER OPERATING INCOME		
Interest receivable	197,750	107,447
Exchange loss	(30,813)	(36,932)
Income derived from sources other than broking	-	5,572
	<u>166,937</u>	<u>76,087</u>
4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
The profit on ordinary activities before taxation is stated after charging/(crediting):		
Staff costs (notes 5 and 6)	1,826,948	1,856,574
Depreciation of owned tangible fixed assets	64,609	67,357
Depreciation of assets held under financial leases	48,322	45,231
Interest element of finance leases	7,805	7,208
Hire of equipment – operating leases	9,520	5,188
Hire of other assets – operating leases: land & buildings	82,086	96,431
Auditors' remuneration	29,500	27,500
Loss/(profit) on the sale of fixed assets	502	(240)
	<u>1,826,948</u>	<u>1,856,574</u>
5. STAFF COSTS		
The information in (a) and (b) includes directors (note 6)		
(a) Staff costs		
Wages and salaries	1,545,087	1,502,744
Social security costs	187,699	183,806
Other pension costs	94,162	170,024
	<u>1,826,948</u>	<u>1,856,574</u>

	2006	2005
(b) The average number of persons employed by the Company during the year was as follows:	No.	No.
Management	3	3
Broking and technical	19	18
Administration	8	8
Total employees	<u>30</u>	<u>29</u>
6. DIRECTORS	£	£
Emoluments	320,160	322,129
Company contributions to money purchase pension schemes	28,838	126,754
	<u>348,998</u>	<u>448,883</u>
At the year end, two directors were accruing pension benefits under money purchase schemes		
The above details include the following amounts in respect of the highest paid director:		
Emoluments	227,728	218,782
Company contributions to money purchase pension schemes	22,875	122,875
	<u>22,875</u>	<u>122,875</u>
7. INTEREST PAYABLE AND SIMILAR CHARGES		
Bank loans, overdrafts and other loans wholly repayable within five years	<u>7,805</u>	<u>7,208</u>
8. TAXATION		
(a) Analysis of charge in the period		
UK Corporation Tax at 21% (2005: 21%)	<u>73,516</u>	<u>70,488</u>
	<u>73,516</u>	<u>70,488</u>



	2006 £	2005 £
(b) Factors affecting tax charge in the period		
The tax assessed in the period is higher than the applicable rate of corporation tax in the UK (21%). The differences are explained below:		
Profit on ordinary activities before tax	<u>273,402</u>	<u>297,527</u>
Tax on profit on ordinary activities at applicable rate of corporation tax in the UK of 21.0% (2005: 21.0%)	57,414	62,481
Effects of:		
Expenses not deductible for tax purposes	13,488	8,516
Depreciation in excess of capital allowances	11,165	1,732
Group relief	(8,437)	-
Adjustments to tax charge in respect of previous periods	(114)	(2,241)
Current tax charge for period (see (a) above)	<u>73,516</u>	<u>70,488</u>
9. DIVIDEND		
A dividend of 59.9 pence (2005: nil) per share was paid during the year.	<u>355,157</u>	<u>nil</u>

10. TANGIBLE FIXED ASSETS

	Short Leasehold Improvements £	Computer £	Furniture and Equipment £	Motor Cars £	Total £
COST					
At 1 January 2006	123,933	177,126	64,932	107,985	473,976
Additions	4,350	26,037	-	63,500	93,887
Disposals	-	(2,199)	-	-	(2,199)
At 31 December 2006	<u>128,283</u>	<u>200,964</u>	<u>64,932</u>	<u>171,485</u>	<u>565,664</u>
ACCUMULATED DEPRECIATION					
At 1 January 2006	48,187	108,938	59,805	29,542	246,472
Charge for the period	30,983	30,868	2,758	48,322	112,931
Eliminated on disposals	-	(1,697)	-	-	(1,697)
At 31 December 2006	<u>79,170</u>	<u>138,109</u>	<u>62,563</u>	<u>77,864</u>	<u>357,706</u>
NET BOOK VALUES					
At 31 December 2006	<u>49,113</u>	<u>62,855</u>	<u>2,369</u>	<u>93,621</u>	<u>207,958</u>
At 31 December 2005	<u>75,746</u>	<u>68,188</u>	<u>5,127</u>	<u>78,443</u>	<u>227,504</u>
Depreciation rates	Over the un-expired term of the lease				
		33%	25%	25% - 33%	

£93,621 (31 December 2005: £73,190) of the net book value of motor cars is in respect of assets held under finance leases.

	2006 £	2005 £
11. DEBTORS		
Insurance debtors	17,760,164	19,259,410
Amounts owed by group undertakings	112,477	92,580
Other debtors	44,365	94,877
Prepayments and accrued income	16,419	49,025
	<u>17,933,425</u>	<u>19,495,892</u>
12. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR		
Obligations under finance leases	25,455	12,747
Insurance creditors	20,801,276	22,610,354
Corporation tax	73,630	72,729
Other taxation and social security costs	51,575	46,564
Accruals and deferred income	670,373	678,073
	<u>21,622,309</u>	<u>23,420,467</u>
13. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Obligations under finance leases payable within two to five years	<u>65,050</u>	<u>59,000</u>
14. PROVISIONS FOR LIABILITIES AND CHARGES		
		Dilapidations provision £
At 1 January 2006		40,000
Charge for the year		<u>20,000</u>
At 31 December 2006		<u>60,000</u>



	2006 £	2005 £
15. SHARE CAPITAL		
(a) Authorised		
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
(b) Allotted, called up and fully paid		
592,693 ordinary shares of £1 each	<u>592,693</u>	<u>592,693</u>
16. SHARE PREMIUM		
Premium arising on the issue of ordinary shares of £1 each at 1 January and 31 December	<u>21,125</u>	<u>21,125</u>
17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS		
Profit for the year	199,886	227,039
Dividends paid	<u>(355,157)</u>	-
Net (deduction)/addition to shareholder's funds	(155,271)	227,039
Opening shareholder's funds at 1 January	<u>1,508,354</u>	<u>1,281,315</u>
Closing shareholder's funds at 31 December	<u>1,353,083</u>	<u>1,508,354</u>
18. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Operating profit	281,207	304,735
Depreciation charges	112,931	112,588
Decrease/(increase) in debtors	1,562,467	(1,790,094)
(Decrease)/increase in creditors	(1,791,767)	3,257,346
Interest receivable	(197,750)	(107,447)
Loss/(profit) on disposal of fixed assets	<u>502</u>	<u>(240)</u>
Net cash (outflow)/inflow from operating activities	<u>(32,410)</u>	<u>1,776,888</u>

	2006 £	2005 £
19. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT		
(Decrease)/increase in cash in the year	(345,366)	1,799,140
Cash outflow from reduction in lease financing	24,742	35,107
Release from finance lease balance	-	100,048
New finance leases	(43,500)	(75,995)
Change in net debt	<u>(364,124)</u>	<u>1,858,300</u>
Net funds at 1 January	<u>5,232,678</u>	<u>3,374,378</u>
Net funds at 31 December	<u>4,868,554</u>	<u>5,232,678</u>

20. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2006 £	Cash flows £	Other changes £	At 31 Dec 2006 £
Cash in hand, at bank	5,304,425	(345,366)	-	4,959,059
Finance leases	(71,747)	24,742	(43,500)	(90,505)
	<u>5,232,678</u>	<u>(320,624)</u>	<u>(43,500)</u>	<u>4,868,554</u>

21. PENSION COMMITMENTS

The Company operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Company to the funds and amounted to £94,162 (year ended 31 December 2005: £170,024). At 31 December 2006 and 2005 all amounts due to the pension funds had been paid.

The Company made no additional pension contributions in 2006 in respect of its directors (year ended 31 December 2005: £100,000 in respect of one director).



22. COMMITMENTS

a) Operating leases

At 31 December 2006, the company was committed to making the following payments under non-cancellable operating leases in the year ending 31 December 2007:

	2006		2005	
	Land & Buildings £	Other £	Land & Buildings £	Other £
Operating leases which expire:				
Within 1 year	-	8,358	-	3,860
In 2 to 5 years	-	6,957	-	-
Over 5 years	102,608	-	59,855	-
	<u>102,608</u>	<u>15,315</u>	<u>59,855</u>	<u>3,860</u>

b) Foreign exchange contracts

At 31st December 2006, there were no forward currency contracts in place (2005: US\$ 4,200,000)

23. CASH AT BANK

Cash at bank includes £750,000 which has been provided as security to Barclays Bank Plc in respect of a loan granted by them to LSR Marine Ltd.

24. CONTROLLING PARTIES

The ultimate parent company is LSR Marine Limited. The immediate parent company is LSR Holdings Limited

D. A. Edwards, director, controls the company by virtue of his shareholding in LSR Marine Limited.





LONDON SPECIAL RISKS

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