2008

Hampden Underwriting plc

annual report and financial statements
for the year ended 31 December 2008

About us

Hampden Underwriting plc ("Hampden Underwriting" or "the Company") has been incorporated primarily to provide a limited liability direct investment into the Lloyd's insurance market in the UK.

The Company's strategy is to seek to generate returns for its shareholders primarily through:

- the acquisition of underwriting participations in Lloyd's syndicates and providing the necessary supporting funds at Lloyd's;
- the acquisition of corporate members; and
- investment in other Lloyd's insurance-related investments and products.

Highlights and summary of results

- Commenced underwriting with an allocated capacity of £5.1m
- Premium written during the period totalled £5.2m
- Group's first acquisition of a Lloyd's corporate member during the year
- Small loss of £48,000
- Net assets of £7.0m

Financial results

	Year ended 31 December 2008 £'000	17 months ended 31 December 2007 £'000
Gross premium written	5,245	—
(Loss)/profit before tax	(85)	89
(Loss)/profit after tax	(48)	62
Earnings per share	(0.65p)	0.83p

Chairman's statement

Prospects for underwriting at Lloyd's look extremely positive and the Board is confident that attractive returns will be generated for shareholders.

Summary of Chairman's statement

First year's underwriting forecasts suggest a profitable outcome

Acquisition of a further limited liability vehicle

Outlook shows a hardening of the UK insurance market

Capital best deployed supporting underwriting at this time

2008 was the first full year of trading and as with virtually all years of account, is showing a small loss after 12 months. It is however encouraging that at this stage, albeit with the account still very much on risk, early forecasts suggest a profitable outcome for both Hampden Corporate Member and Nameco (No. 365) Ltd., our two underwriting subsidiaries. In addition the Company's investment income has continued to exceed cash operating expenses.

In February of 2009 we acquired Nameco (No. 605) Limited which currently underwrites £2.7m which when added to the underwriting of Hampden Corporate Member and Nameco (No. 365) Limited takes our overall premium income limit to £7.6m. It has also given us valuable exposure to the highly profitable 2006 and 2007 years of account.

In April of this year our Members' Agent, Hampden Agencies Limited ("HAL"), produced its Annual Market Report. In their Lloyd's Adviser's Report they comment on market conditions in detail, but I would like to quote from it their views on one aspect in particular. "Our view is that we have now entered the hardening phase of the cycle with a potential hard market for 2010 and 2011. The combination of a long-term loss of investment return and reduction in policyholder surplus (a measure of the capital base of US insurers) now requires an underwriting profit for investors to achieve an adequate return on equity. Our view is that Lloyd's is favourably positioned to maintain its record of strong profitability since 2002".

The rationale of establishing Hampden Underwriting was to provide an opportunity to invest in a quoted company underwriting via a diverse spread of syndicates through its own corporate member as well as by the acquisition of others. We also undertook to look at other Lloyd's related opportunities. During the course of the year we looked at several but felt that our capital was best deployed directly supporting underwriting. We will continue to look at all opportunities as well as considering the possibilities of raising further capital from both existing shareholders and new investors. In our view, prospects for the London Insurance Market and specifically Lloyd's look extremely promising and we look forward to generating attractive returns for shareholders.

Sir Michael Oliver
Non-executive Chairman
15 May 2009

Lloyd's Adviser's report

In an era of low inflation and low interest rates, combined with a shortage of capital, Lloyd's is well placed to weather the financial storms of 2008 and 2009 and to take advantage of the current rating environment where rate rises not reductions have become the norm.

Summary of Adviser's report

Low interest rates favour underwriting profits

Lloyd's outperforms its peer group competitors

Forecasts predict a profitable 2008 Year of Account

Portfolio diversification continued

Market outlook

During the 1980s and 1990s the US property casualty industry failed to make an underwriting profit with the combined ratio (the standard measure of profitability of the industry which excludes investment income) being consistently above 100%. The reason was that underwriting losses could be subsidised by investment returns generated by the bull market in both bonds and equities, which lasted from 1982 to 2000. Already this decade, the US industry has declared underwriting profits in three years and Lloyd's has made profits in five successive years since the 2002 three-year account. We are now in a low interest rate environment with a long term loss of investment return. No longer can an underwriting loss be subsidised by investment return. It is for this reason, perhaps more than any other, that non-life insurance and, in particular Lloyd's, continues to be a favourable investment proposition.

The industry's underwriting capacity has been depleted by catastrophe losses from Hurricane Ike and asset losses equivalent to a major catastrophe suffered in 2008 which, taken together, are "market changing". According to Swiss Re's Sigma research 2008 marked the second worst year on record for insured catastrophe losses after 2005. In addition, investment losses are estimated by the New York based Insurance Information Institute to have been the fourth largest "capital event" over the past 20 years for the US insurance industry.

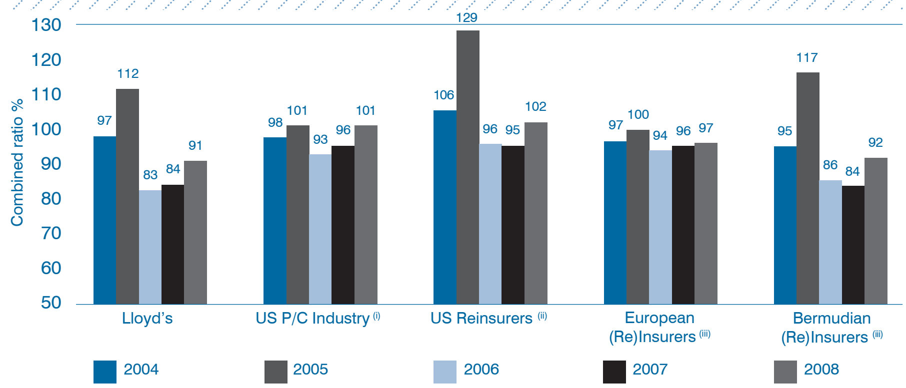
We see 2009 as a year of transition as the insurance and reinsurance markets move to a rating environment where rate rises, not reductions, are becoming the norm with a potential hard market in 2010 or 2011.

This change in trend is most marked in the retrocession and reinsurance markets, particularly for catastrophe exposed US business. The 1 January renewal season is the key bell-weather in assessing pricing trends and after two years of rate reductions the reinsurance broker, Guy Carpenter, reported that the overall increase for reinsurance programmes in the United States at 1 January 2009 was 11%. Our expectation is that increased reinsurance costs will feed through into direct rates as the year progresses.

While insurance is not immune to recession related claims activity or reduced demand for cover from lines of business which are turnover dependent or linked to international trade, insurance is not a discretionary purchase. Increased casualty claims activity is being seen in US E&O and D&O financial institutions business as investors seek to recover financial losses but underwriters are now charging significant rate increases. Overall, insurance is likely to be less affected by the economic recession than banks and other financial services businesses and, in fact, may benefit from the "credit crunch" as the availability of risk bearing capital reduces.

Lloyd's Adviser's report cont.

Combined ratio comparative performance of Lloyd's with its competitors 2004–2008



Source: Lloyd's, i) Insurance Information Institute (excludes mortgage and financial guarantee insurers for 2008, ii) Reinsurance Association of America, iii) Company data (8 European companies: 18 Bermudian companies)

Lloyd's outperforms its peer group competitors

As the world's leading subscription market for insurance and reinsurance risk, Lloyd's market position is set to benefit from an increased flow of business as insurers and risk managers look to lessen their counterparty risk and dependence on any one carrier in an increasingly uncertain world.

Lloyd's strong operating performance continues to stand out. The traditional method for performance comparisons of competing insurance businesses is an analysis of the combined ratio, which is the ratio of net incurred claims plus net operating expenses to net earned premiums. In 2008, Lloyd's combined ratio was the best compared with its peer groups at 91%, with Lloyd's outperforming its nearest competitor, Bermudian Reinsurers, by an aggregate of 7% over the period 2004 to 2008. As well as strong operating performance for its investors, Lloyd's security for policyholders is also recognised by the rating agencies with Lloyd's being only one of three out of the top ten reinsurers whose current rating of A+ from Standard & Poor's is the same as before the World Trade Centre losses in 2001.

Lloyd's operating results have outperformed its main peer groups, while HAL's managed portfolios continue to outperform Lloyd's. The portfolio of Lloyd's syndicates managed by HAL for HCM is well positioned to take advantage of opportunities for profitable growth into 2010, with many syndicates in the portfolio expecting to increase their underwriting capacity for 2010 to take advantage of improving market conditions and compensate for the decline in the value of sterling against the US dollar.

HCM underwriting performance

HCM's first underwriting year is the 2008 Account, although its two Nameco acquisitions have given exposure to the profitable 2006 and 2007 Accounts. Estimates for all syndicates on the 2008 Account will not be available until the end of May reflecting data at the end of Quarter 1 2009. Forecasts have been received for 9 syndicates in HCM's portfolio for the 2008 Account representing 54% of capacity with an average mid-point forecast of 7.2% on capacity. It is encouraging that at this early stage, despite the 2008 catastrophe losses, all 12 syndicates are forecasting profits. However, the 2008 Account is still on risk with reinsurance exposed, in particular to earthquake, until 30 June 2009 while many insurance policies will be on risk until 31 December 2009. HAL maintains its profit target of 0% to 5% of capacity, excluding prior year releases.

Prospects for underwriting at Lloyd's in 2009 remain attractive. Our profit target remains in a range of 5% to 10% of capacity, excluding prior year releases, which reflects an improved potential reward for 2009 compared with 2008. Despite the improved potential reward for 2009, we view risk and potential recession related claims as increasing due to increased costs for reinsurance and, in particular, retrocession cover for reinsurers.

Top 10 syndicate holdings for 2009 account

Syndicate	Managing agent	2009 Syndicate capacity £'000	2009 Group portfolio capacity £'000	2009 Group portfolio % of total	2009 Major category of business
510	R. J. Kiln & Co. Ltd	630,000.0	983.0	13.0	US$ Property
2791	Managing Agency Partners Ltd	400,902.4	925.1	12.2	Reinsurance
958	Omega Underwriting Agents Ltd	249,432.4	820.0	10.8	Reinsurance
623	Beazley Furlonge Ltd	149,899.8	623.7	8.2	US$ Non-Marine Liability
2121	Argenta Syndicate Management Ltd	130,000.0	567.1	7.5	US$ Property
557	R. J. Kiln & Co. Ltd	119,577.0	484.8	6.4	Reinsurance
609	Atrium Underwriters Ltd	200,000.0	458.6	6.1	Energy
33	Hiscox Syndicates Ltd	750,000.0	413.1	5.5	US$ Property
218	Equity Syndicate Management Ltd	452,325.7	382.0	5.0	Motor
260	KGM Underwriting Agencies Ltd	72,500.0	356.9	4.7	Motor
Subtotal			6,014.3	79.4	
Portfolio total			7,575.6	100.0	

2009 Portfolio analysis

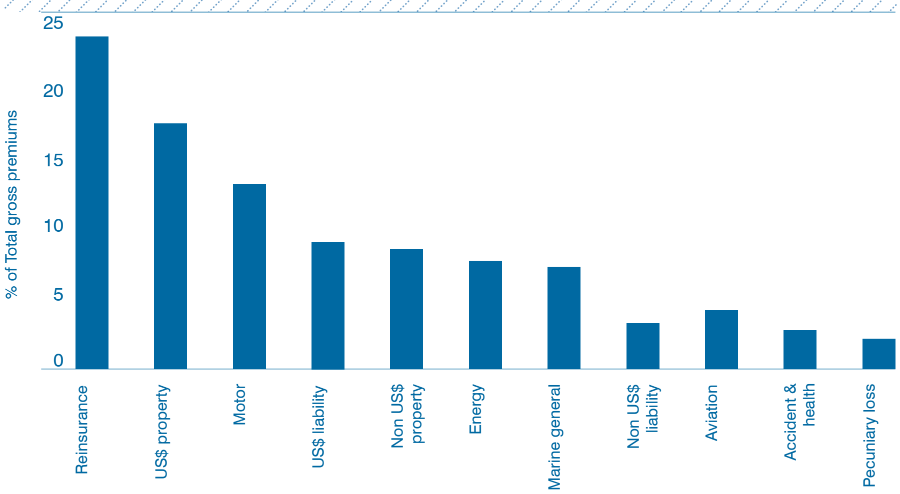
The Group's core underwriting participation for the 2009 underwriting year is through HAL's managed portfolio, MAPA 7208, which was originally acquired for the 2008 underwriting year. This capacity of £4.4m reflects adjustments through syndicate de-emptions and pre-emptions and the non-renewal of an annual participation on Syndicate 6101.

During 2008 and 2009 the Group supplemented the MAPA capacity managed by HAL through the purchases of Nameco 365 and Nameco 605. It also added four smaller individual participations on MAP Syndicate 6103, Hiscox Syndicate 6104, Amlin Syndicate 6106 and ICAT Syndicate 4242, all of which should benefit from higher rates on US catastrophe exposed business. The Group's total participation for 2009 is £7.6m of capacity.

The spread of syndicates in MAPA 7208 is similar to those of HAL's existing MAPAs with a weighting towards those syndicates which have historically outperformed the broader Lloyd's market. The largest lines remain on Kiln Syndicate 510, MAP Syndicate 2791 and Omega Syndicate 958, all of which are syndicates with excellent track records and specialists in underwriting reinsurance business, where rates are now increasing.

HAL considers that the portfolio provides a good spread of business across managing agents and classes of business with motor and liability providing a balance to the catastrophe exposed reinsurance and property business, as well as contributing to lower capital requirements due to Lloyd's credits for diversification.

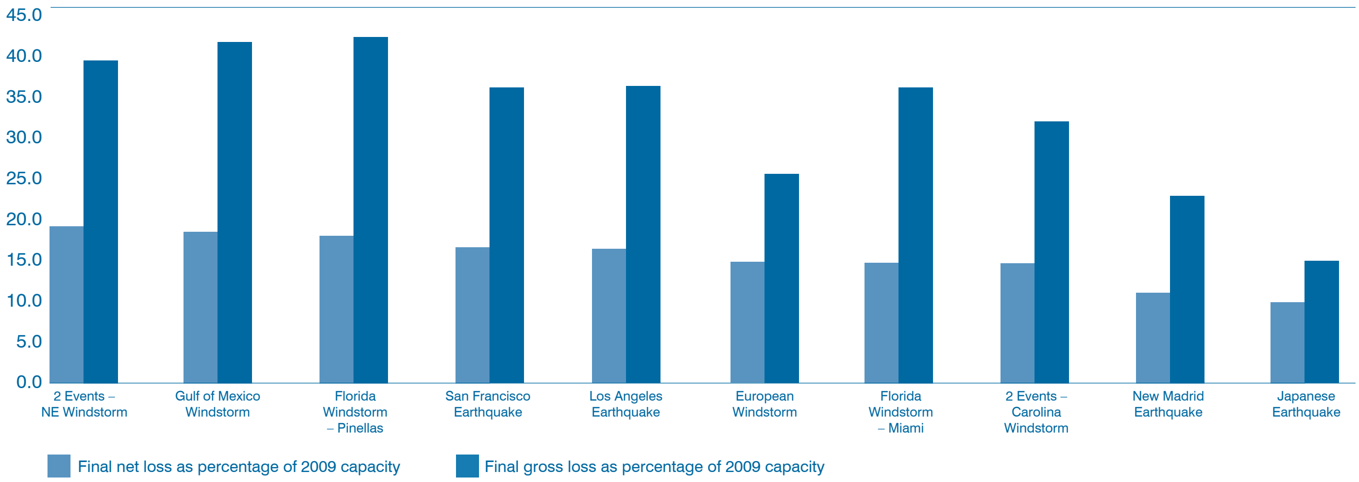
Portfolio class of business split for 2009 account



Source: 2009 Syndicate Business Forecasts

Lloyd's Adviser's report cont.

Portfolio Realistic Disaster Scenario aggregates for 2009 account:
Top 10 net exposures gross and net of reinsurance



Source: 2009 Syndicate Business Forecasts

Underwriting risk is managed through a diverse portfolio giving access to a number of classes of business, syndicates and managing agents.

Portfolio risk management

HAL manages the portfolio risk by diversification across classes of business, syndicates and managing agents as well as controlling the downside, in the event of a major loss, by monitoring the aggregate losses estimated by managing agents to Realistic Disaster Scenarios. HAL considers risk in the context of potential return and seeks to actively manage catastrophe exposure, dependent on market conditions.

Lloyd's first utilised Realistic Disaster Scenarios in 1995 to evaluate exposure at both syndicate and market level. These scenarios continue to be refined and updated to take account of loss experience and exposure values. For 2009 the largest loss modelled is a Florida windstorm totalling $125bn, which compares with only $60bn in 2005 indicating additional conservatism. Exposure management is a critical component of being able to manage the insurance cycle.

The Realistic Disaster Scenario chart shows the aggregated impact at portfolio level for the Group for the ten largest net exposures (after reinsurance) to events modelled for 2009. These exposures provide a guide to potential downside risk, but do not measure potential loss since they exclude the results of the balance of the account. The Group's largest modelled exposure net of reinsurance is to a two event scenario at 18.8% of capacity, which has increased for 2009 as a result of the acquisition of Nameco 605.

Directors

Sir James Michael Yorrick Oliver, aged 68
(Non-executive Chairman)
Sir Michael Oliver is a director of a number of investment funds, and the chairman of a specialised Central and Eastern European fund. He was previously a director, Investment Funds at Hill Samuel Asset Management and of Scottish Widows Investment Partnership Limited. He was a partner in stockbrokers Kitkat & Aitken for 20 years and subsequently managing director of Carr Kitkat & Aitken between 1990 and 1993. He is non-executive chairman of Zirax plc and Europa Oil & Gas (Holdings) plc, both of which are quoted on AIM. He is also a director of Hampden Capital plc.

John Andrew Leslie, aged 64
(Non-executive Director)
Andrew Leslie has 40 years' experience as an insurance broker. He started his career with Leslie & Godwin in 1967, where he held a number of senior positions, until he left to join Morgan Read and Coleman as a director. In 1991 he and three others effected a management buy out of the company which was then purchased by Arthur J. Gallagher (UK) Limited in 1996. Until recently he was a main board director of Arthur J. Gallagher (UK) Limited.

Jeremy Richard Holt Evans, aged 51
(Non-executive Director)
Jeremy Evans joined Minories Underwriting Agencies in 1993, which was subsequently transferred to Aberdeen Underwriting Advisers Limited, with specific responsibility for its corporate capital plans, including the development of a conversion scheme for existing members. He is the managing director of Nomina plc as well as being a director of Hampden Capital plc.

Harold Michael Clunie Cunningham, aged 61
(Non-executive Director)
Michael Cunningham joined Neilson Hornby Crichton & Co in 1976, becoming a partner in 1981. In 1986, he became a director of Neilson Cobbold Limited, formerly Neilson Milnes Limited, which is now part of Rathbone Brothers. He has worked in the investment management business for over 20 years and formerly had responsibility for venture capital trusts and Rathbones Enterprise Investment Scheme portfolios and Inheritance Tax service, which have raised over £100.0 million in total.

Report of the Directors

The Directors present their report and the audited Group Financial Statements for the year ended 31 December 2008.

Principal activities, review of the business and future developments

The Company's principal activity is to provide a limited liability investment for its shareholders in the Lloyd's insurance market.

A more detailed review of the business for the year and outlook for the future are included in the Chairman's Statement and the Lloyd's Adviser's Report.

Results and dividends

The Group loss for the year ended 31 December 2008 is shown in the Group income statement. The Group loss for the year after taxation was £48,000 (2007: £62,000 profit).

The Directors are not recommending the payment of a dividend to the ordinary shareholders (2007: £nil).

Charitable and political donations

During the year, the Group made no political or charitable donations.

Events after the balance sheet date

On 16 February 2009 Hampden Underwriting plc acquired 100% of the issued share capital of Nameco (No. 605) Limited for £497,000. Nameco (No. 605) Limited is a corporate member of Lloyd's.

In order to support the underwriting of Nameco (No. 605) Limited, the Group deposited Funds at Lloyd's of £892,455 on 16 February 2009. In addition in order to support the existing underwriting capacity of the Group's subsidiaries, a further £544,576 will be required to be deposited with Lloyd's by 30 June 2009.

Directors and their interests

The Directors who served during the year, together with their beneficial interests in the Company's issued share capital are shown below.

	Number of ordinary shares shares of 10p each	
Name	31 December 2007	31 December 2008
Sir Michael Oliver	—	—
Andrew Leslie	—	—
Jeremy Evans	25,002	45,002
Michael Cunningham	20,000	20,000

Under the Articles of Association one Director is required to retire from the Board by rotation at the forthcoming Annual General Meeting and offer themselves for re-election as a Director. Michael Cunningham therefore retires by rotation and offers himself for re-election as a Director.

Principal risks and uncertainties

The principal risks and uncertainties to the Group's future cash flows will arise from the Group's participation in the results of Lloyd's syndicates. These risks and uncertainties are mostly managed by the syndicate managing agents. The Group's role in managing these risks and uncertainties, in conjunction with Hampden Agencies Limited, is limited to a selection of syndicate participations and monitoring the performance of the syndicates.

Corporate, social and environmental responsibility

The Group aims to meet the expectations of its shareholders and other stakeholders in recognising, measuring and managing the impacts of its business activities. The majority of the Group's business activities are carried out by the syndicates in which activities, including employment of syndicate staff, are the responsibility of the syndicate managing agents. Each managing agent also has responsibility for the environmental activities of each syndicate, although by their nature, syndicates do not produce significant environmental emissions.

Key performance indicators	**2008**	2007
Operating (loss)/profit before tax	£(85,000)	£89,000
(Loss)/profit attributable to equity shareholders	£(48,000)	£62,000
Earnings per share (p)	(0.65)p	0.83p
Return on equity (%)	(0.4)%	0.9%

Other performance indicators

For the reasons described above, the Board of Directors does not consider it appropriate to monitor or report any performance indicators in relation to corporate, social or environmental matters.

Report of the Directors cont.

Employees
The Group has no employees.

Policy and practice on the payment of creditors
It is the Group's policy to:

- agree the terms of payment at the commencement of business with suppliers;
- ensure that suppliers are aware of the terms of payment; and
- pay in accordance with contractual and other legal obligations

The number of days' purchases outstanding at 31 December 2008 is none.

Substantial shareholdings
The substantial shareholders shown below were as at 6 May 2009.

	Number of shares	% Holdings
Adam & Company (Nominees) Limited	1,108,500	14.95%
Hampden Capital PLC	1,014,560	13.69%
ROY Nominees Limited	717,500	9.68%

Disclosure of information to auditors
The Directors who held office at the date of approval of the Report of the Directors confirm that, so far as they are individually aware, there is no relevant audit information of which the auditors are unaware; and each Director has taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information, and to establish that the auditors are aware of that information.

Auditors and the Annual Report
Our independent auditors, Littlejohn (previously CLB Littlejohn Frazer), have transferred their business to Littlejohn LLP, a limited liability partnership. In accordance with section 26(5) of the Companies Act 1989, the Directors have consented to the extension of the audit appointment of Littlejohn to its successor firm, Littlejohn LLP.

Littlejohn LLP has signified its willingness to continue in office as auditors.

A resolution to reappoint Littlejohn LLP as auditors will be put to the members at the next Annual General Meeting to be convened at which the Annual Report will be laid before the members for consideration.

Approved by the Board of Directors and signed on behalf of the Board on 15 May 2009.

Jeremy Evans
Non-executive Director

Corporate governance statement

The Directors recognise the importance of sound corporate governance and will, in so far as is practicable given the Company's size, its business and the constitution of the Board, comply with the main provisions of the Combined Code: Principles of Corporate Governance and Code of Best Practice.

Board

The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets and corporate actions. The Company holds Board meetings at least four times each financial year and at other times as and when required.

Committees

The Audit Committee of the Company, comprising Michael Cunningham and Andrew Leslie (both Non-executive Directors), is chaired by Andrew Leslie. The Audit Committee is responsible for ensuring that the Group's financial performance is properly monitored, controlled and reported. It also meets the Auditors and reviews reports from the Auditors relating to the accounting and internal control systems. The Audit Committee meets once a year with the Auditors.

The Company has not established a Remuneration Committee since it does not have any employees or Executive Directors.

The Company has adopted a model code for Directors' dealings which is appropriate for an AIM quoted company. The Directors will comply with Rule 21 of the AIM Rules relating to Directors' dealings.

Board and committee meeting attendance

	Board		Audit Committee	
Director	Possible number of meetings	Number of meetings attended	Possible number of meetings	Number of meetings attended
Sir Michael Oliver	4	4	—	—
Andrew Leslie	4	3	1	1
Jeremy Evans	4	4	—	—
Michael Cunningham	4	4	1	1
Average attendance (%)		94%		100%

Subsidiary Board and committees

Jeremy Evans and Nomina plc are Directors of Hampden Corporate Member Limited, Nameco (No. 365) Limited and Nameco (No. 605) Limited.

Jeremy Evans:

Hampden Corporate Member Limited	appointed 31 May 2006
Nameco (No. 365) Limited	appointed 1 November 2001
Nameco (No. 605) Limited	appointed 1 November 2001

Nomina plc:

Hampden Corporate Member Limited	appointed 31 May 2006
Nameco (No. 365) Limited	appointed 22 September 1999
Nameco (No. 605) Limited	appointed 25 September 2001

Conflict management

Jeremy Evans was a director of Hampden Agencies Limited until December 2007 and remains a Director of Nomina plc as well as of the Company. Michael Oliver and Jeremy Evans are directors of Hampden Capital plc which owns 100% of Hampden Agencies Limited's issued equity share capital and 99% of Nomina plc's issued equity share capital. The Articles of Association of the Company provide that neither Director will vote in respect of arrangements relating to Hampden Agencies Limited's appointment as the Group's Members Agent or to Nomina plc's appointment as provider of administrative and support services or any other arrangements or contracts where Hampden Agencies Limited or Nomina plc has an interest.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial period. Under that law the Directors have prepared the Group and Parent Company Financial Statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state that the Financial Statements comply with IFRSs as adopted by the European Union, 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 Group will continue in business, in which case there should be supporting assumptions or qualifications where necessary.

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 which disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website (www.hampdenplc.com). Legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements may differ from legislation in other jurisdictions.

Independent Auditors' report

to the Shareholders of Hampden Underwriting plc

We have audited the Group and Parent Company Financial Statements (the "Financial Statements") of Hampden Underwriting plc for the year ended 31 December 2008 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Shareholders' Equity and the related notes 1 to 21. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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).

We report to you our opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Report of the Directors 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 other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. The other information comprises only the Chairman's Statement, the Lloyd's Adviser's Report, the Report of the Directors and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

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 whether the accounting policies are appropriate to the Group's and 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 Group Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the Parent Company Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 December 2008;
- the Financial Statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the Financial Statements.

Littlejohn LLP
Chartered Accountants
and Registered Auditors
15 May 2009

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Canary Wharf
London E14 4HD

Group income statement
Year ended 31 December 2008

	Note	Year ended 31 December 2008 £'000	17 months ended 31 December 2007 £'000
Gross premium written		5,245	—
Reinsurance premium ceded		(854)	—
Net premiums written		4,391	—
Change in unearned gross premium provision		(1,982)	—
Change in unearned reinsurance premium provision		218	—
		(1,764)	—
Net earned premium	3	2,627	—
Net investment income	3,5	358	174
Other underwriting income		(1)	—
Other income	3	25	—
		382	174
Revenue		3,009	174
Gross claims paid		(670)	—
Reinsurance share of gross claims paid		108	—
Claims paid, net of reinsurance		(562)	—
Change in provision for gross claims		(1,740)	—
Reinsurance share of change in provision for gross claims		378	—
Net change in provision for claims	4	(1,362)	—
Net insurance claims and loss adjustment expenses	3	(1,924)	—
Expenses incurred in insurance activities	3	(720)	—
Other operating expenses	3	(450)	(85)
Operating expenses		(1,170)	(85)
Operating (loss)/profit before tax	3,6	(85)	89
Income tax credit/(expense)	7	37	(27)
(Loss)/profit attributable to equity shareholders	16	(48)	62
Earnings per share attributable to equity shareholders			
Basic and diluted	8	(0.65)p	0.83p

The (loss)/profit attributable to equity shareholders and earnings per share set out above are in respect of continuing operations.

The accounting policies and notes are an integral part of these Financial Statements.

Group balance sheet

At 31 December 2008

	Note	31 December 2008 £'000	31 December 2007 £'000
Assets			
Intangible assets	10	920	981
Financial investments	11	4,131	2,486
Reinsurance share of insurance liabilities	4		
– Reinsurers' share of outstanding claims		678	—
– Reinsurers' share of unearned premiums		266	—
Other receivables, including insurance receivables	12	2,557	79
Prepayments and accrued income		612	33
Deferred income tax assets	14	16	—
Cash and cash equivalents		3,931	3,552
Total assets		13,111	7,131
Liabilities			
Insurance liabilities	4		
– Claims outstanding		2,879	—
– Unearned premiums		2,366	—
Other payables, including insurance payables	13	803	—
Accruals and deferred income		26	40
Current income tax liabilities		—	27
Deferred income tax liabilities	14	21	—
Total liabilities		6,095	67
Shareholders' equity			
Share capital	15	741	741
Share premium	15	6,261	6,261
Retained earnings	16	14	62
Total shareholders' equity		7,016	7,064
Total liabilities and shareholders' equity		13,111	7,131

The accounting policies and notes are an integral part of these Financial Statements.

Approved by the Board of Directors on 15 May 2009.

Michael Cunningham
Non-executive Director

Jeremy Evans
Non-executive Director

Parent Company balance sheet

At 31 December 2008

	Note	31 December 2008 £'000	31 December 2007 £'000
Assets			
Financial investments	11	159	435
Other receivables	12	3,298	3,152
Cash and cash equivalents		3,720	3,551
Total assets		7,177	7,138
Liabilities			
Other payables	13	19	39
Current income tax liabilities		—	27
Total liabilities		19	66
Shareholders' equity			
Share capital	15	741	741
Share premium	15	6,261	6,261
Retained earnings	16	156	70
Total shareholders' equity		7,158	7,072
Total liabilities and shareholders' equity		7,177	7,138

The accounting policies and notes are an integral part of these Financial Statements.

Approved by the Board of Directors on 15 May 2009.

Michael Cunningham
Non-executive Director

Jeremy Evans
Non-executive Director

Group cash flow statement

Year ended 31 December 2008

Cash flow from operating activities	Year ended 31 December 2008 £'000	17 months ended 31 December 2007 £'000
Results of operating activities	(85)	89
Interest received	(264)	(73)
Investment income	(49)	—
Dividend received	(18)	—
Income tax paid	11	—
Recognition of negative goodwill	(25)	—
Amortisation of intangible assets	150	—
Change in fair value of investments recognised in the income statement	17	(101)
Changes in working capital:		
Increase in other receivables	(3,057)	(112)
Increase in other payables	810	40
Net increase in technical provisions	4,301	—
Net cash inflow/(outflow) from operating activities	1,791	(157)
Cash flows from investing activities		
Interest received	264	73
Investment income	49	—
Dividend received	18	—
Purchase of intangible assets	(17)	(981)
Proceeds from disposal of intangible assets	3	—
Purchase of financial investments	(1,645)	(2,385)
Acquisition of subsidiary, net of cash acquired	(84)	—
Net cash outflow from investing activities	(1,412)	(3,293)
Cash flows from financing activities		
Net proceeds from issue of ordinary share capital	—	7,002
Net cash inflow from financing activities	—	7,002
Net increase in cash, cash equivalents and bank overdrafts	379	3,552
Cash, cash equivalents and bank overdrafts at beginning of year/period	3,552	—
Cash, cash equivalents and bank overdrafts at end of year/period	3,931	3,552

The accounting policies and notes are an integral part of these Financial Statements.

Parent Company cash flow statement

Year ended 31 December 2008

Cash flow from operating activities	Year ended 31 December 2008 £'000	17 months ended 31 December 2007 £'000
Results of operating activities	89	89
Interest received	(311)	(73)
Dividend received	(18)	—
Profit on sale of financial investments	(46)	—
Change in fair value of investments recognised in income statement	—	(101)
Changes in working capital:		
Decrease/(increase) in other receivables	68	(112)
(Decrease)/Increase in other payables	(47)	39
Net cash outflow from operating activities	(265)	(158)
Cash flows from investing activities		
Interest received	311	61
Dividend received	18	—
Sale/(purchase) of financial investments	322	(334)
Amounts owed by subsidiary undertaking	(217)	(3,020)
Net cash inflow/(outflow) from investing activities	434	(3,293)
Cash flows from financing activities		
Net proceeds from issue of ordinary share capital	—	7,002
Net cash inflow from financing activities	—	7,002
Net increase in cash, cash equivalents and bank overdrafts	169	3,551
Cash, cash equivalents and bank overdrafts at beginning of year/period	3,551	—
Cash, cash equivalents and bank overdrafts at end of year/period	3,720	3,551

The accounting policies and notes are an integral part of these Financial Statements.

Statement of changes in shareholders' equity

Year ended 31 December 2008

Group	Ordinary share capital £'000	Preference share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Profit for the period	—	—	—	62	62
Share issue expense charged to equity	—	—	(411)	—	(411)
New preference shares issued	—	50	—	—	50
New ordinary shares issued	741	—	6,672	—	7,413
Preference shares redeemed	—	(50)	—	—	(50)
At 31 December 2007	741	—	6,261	62	7,064
At 1 January 2008	741	—	6,261	62	7,064
Loss for the year attributable to equity shareholders	—	—	—	(48)	(48)
At 31 December 2008	741	—	6,261	14	7,016

Company	Ordinary share capital £'000	Preference share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Profit for the period	—	—	—	70	70
Share issue expense charged to equity	—	—	(411)	—	(411)
New preference shares issued	—	50	—	—	50
New ordinary shares issued	741	—	6,672	—	7,413
Preference shares redeemed	—	(50)	—	—	(50)
At 31 December 2007	741	—	6,261	70	7,072
At 1 January 2008	741	—	6,261	70	7,072
Profit for the year attributable to equity shareholders	—	—	—	86	86
At 31 December 2008	741	—	6,261	156	7,158

The accounting policies and notes are an integral part of these Financial Statements.

Notes to the financial statements

Year ended 31 December 2008

1. Accounting policies

The principal accounting policies adopted in the preparation of the Group and Parent Company Financial Statements ("the Financial Statements") are set out below.

Basis of preparation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), incorporating IFRIC interpretations endorsed by the European Union ("EU") and with those parts of the Companies Act 1985, applicable to companies reporting under IFRS. The Financial Statements comply with Article 4 of the EU IAS regulation.

The Financial Statements have been prepared under the historical cost convention. A summary of the more important Group accounting policies are set out below.

The preparation of Financial Statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from these estimates.

The Group participates in insurance business through its Lloyd's corporate member. Accounting information in respect of syndicate participations is provided by the syndicate managing agents and is reported upon by the syndicate auditors.

International Financial Reporting Standards

At the date of authorisation of these Financial Statements the following standards and interpretations had been published by the International Accounting Standards Board ("IASB") but were not yet effective and have therefore not been adopted in these Financial Statements:

- IAS 1 Presentation of Financial Statements (Revised);
- IAS 23 Borrowing Costs (Revised);
- IAS 1 and IAS 32 Puttable Financial Instruments and Obligations Arising on Liquidation (Amended);
- IFRS 1 and IAS 27 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amended);
- IFRS 2 Share-based Payment (Amended);
- IFRS 8 Operating Segments;
- IFRIC 13 Customer Loyalty Programmes.

The Directors anticipate that the adoption of the above in future years will not have a material impact on the Financial Statements except for additional disclosures.

Consolidation

The Financial Statements incorporate the Financial Statements of Hampden Underwriting plc and Hampden Corporate Member Limited for the year ended 31 December 2008 and the results of Nameco (No. 365) Limited for the eleven months ended 31 December 2008.

The Financial Statements of Hampden Corporate Member Limited and Nameco (No. 365) Limited are prepared for the year ended 31 December 2008. Consolidation adjustments are made to convert the subsidiary Financial Statements prepared under UK GAAP to IFRS so as to remove any different accounting policies that may exist.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

No profit and loss account is presented for Hampden Underwriting plc as permitted by Section 230 of the Companies Act 1985. The profit after tax for the period of the Parent Company was £86,000.

Underwriting

Premiums

Premiums written comprise the total premiums receivable in respect of business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the syndicates on which the Group participates, less an allowance for cancellations. All premiums are shown gross of commission payable to intermediaries and exclude taxes and duties levied on them.

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.

Deferred acquisition costs

Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned.

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.

Claims incurred and reinsurers' share

Claims incurred comprise claims and settlement expenses (both internal and external) occurring in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and settlement expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

1. Accounting policies (continued)
Underwriting (continued)
Claims incurred and reinsurers' share (continued)
The provision for claims outstanding comprises amounts set aside for claims notified and claims incurred but not yet reported ("IBNR"). The amount included in respect of IBNR is based on statistical techniques of estimation applied by each syndicate's in house reserving team and reviewed, in certain cases, by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to each syndicate's reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. Each syndicate uses a number of statistical techniques to assist in making these estimates.

Accordingly the two most critical assumptions made by each syndicates managing agent as regards 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 including pricing models for recent business are reasonable indicators of the likely level of ultimate claims to be incurred.

The level of uncertainty with regard to the estimations within these provisions generally decreases with time since the underlying contracts were exposed to new risks. In addition the nature of short tail claims such as property where claims are typically notified and settled within a short period of time will normally have less uncertainty after a few years than long tail risks such as some liability business where it may be several years before claims are fully advised and settled. In addition to these factors if there are disputes regarding coverage under policies or changes in the relevant law regarding a claim this may increase the uncertainty in the estimation of the outcomes.

The assessment of these provisions is usually the most subjective aspect of an insurer's accounts and may result in greater uncertainty within an insurer's accounts than within those of many other businesses. The provisions for gross claims and related reinsurance recoveries have been assessed on the basis of the information currently available to the directors of each syndicate's managing agent. 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 the amounts of claims provisions established in prior years are reflected in the Financial Statements for the period in which the adjustments are made. The provisions are not discounted for the investment earnings that may be expected to arise in the future on the funds retained to meet the future liabilities. The methods used, and the estimates made, are reviewed regularly.

Unexpired risks provision
Provisions for unexpired risks are made where the costs of outstanding claims, related expenses and deferred acquisition costs are expected to exceed the unearned premium provision carried forward at the balance sheet date. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together, after taking into account relevant investment return. The provision is made on a syndicate by syndicate basis by the relevant managing agent.

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 Group will include 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.

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.

Net operating expenses (including acquisition costs)
Net operating costs include acquisition costs, profit and loss on exchange and other amounts incurred by the syndicates on which the Group participates.

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts are deferred to the extent that they are attributable to premiums unearned at the Balance Sheet date.

Foreign currency translation
Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Statements are presented in thousands of pounds sterling, which is the Group's functional and presentational currency.

Notes to the financial statements cont.
Year ended 31 December 2008

1. Accounting policies (continued)
Underwriting (continued)
Foreign currency translation (continued)
Foreign currency transactions and non-monetary assets and liabilities, including deferred acquisition costs and unearned premiums are translated into the functional currency using monthly average rates of exchange prevailing at the time of the transaction as a proxy for the transactional rates. The translation difference arising on non-monetary asset items is recognised in the income statement.

Monetary items are translated at period end rates, any exchange differences arising from the change in rates of exchange are recognised in the income statement.

Investments
Investments in marketable securities are stated at their bid-market value at the balance sheet date. The Group values its financial assets at fair value through profit and loss. Gains or losses on the revaluation of financial assets held at fair value are recognised through profit and loss. Investments in unlisted securities are valued at fair value.

Purchases and sales of investments are recognised on the trade date, which is the date the Group commits to purchase or sell the assets. These are initially recognised at fair value, and subsequently re-measured at fair value based on quoted bid prices. Changes in the fair value of investments are included in the income statement in the period in which they arise.

Intangible assets
Intangible assets, which represents costs incurred in the Corporation of Lloyd's auction in order to acquire rights to participate on syndicates' years of account, are stated at cost, less any provision for impairment, and amortised on a straight line basis over the useful economic life which is estimated to be seven years. No amortisation is charged until underwriting commences in respect of the purchased syndicate participation. The amortisation charge is included within operating expenses on the income statement.

Investment in subsidiary
Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

In the Company's Financial Statements, financial investments in subsidiary undertakings are stated at cost and are reviewed for impairment annually or when events or changes in circumstances indicate the carrying value to be impaired.

The Group uses the acquisition method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Intra-group transactions, balances and unrealised gains on intra-group transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less from the date of acquisition and bank overdrafts.

Investment income
Interest receivable from cash and short-term deposits and interest payable are accrued to the end of the period.

Syndicate investments and cash are held on a pooled basis, the return from which is allocated to years of account proportionately to the funds contributed by the year of account. Investment income and investment gains and losses relating to syndicate investments and cash are taken to the technical account.

Other operating expenses
All expenses are accounted for on an accruals basis.

Fair value estimation
The fair values of short-term deposits are assumed to approximate to their book values. The fair values of the Group's debt securities have been based on quoted market prices for these instruments.

Deferred taxation
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements.

However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2. Risk management

As the ultimate Parent Company of corporate members of Lloyd's the majority of the risks to the Company's future cash flows arise from its subsidiary's participation in the results of Lloyd's syndicates. As detailed below, these risks are mostly managed by the managing agents of the syndicates. The Company's role in managing this risk, in conjunction with its subsidiary's and Members' Agent, is limited to selection of syndicate participations and monitoring performance of the syndicates.

Syndicate risks

The syndicate's activities expose it to a variety of financial and non-financial risks. The managing agent is responsible for managing the syndicate's exposure to these risks and, where possible, introducing controls and procedures that mitigate the effects of the exposure to risk. Each year, the managing agent prepares an Individual Capital Assessment (ICA) for the syndicate, the purpose of this being to agree capital requirements with Lloyd's based on an agreed assessment of the risks impacting the syndicate's business, and the measures in place to manage and mitigate those risks from a quantitative and qualitative perspective. The risks described below are typically reflected in the ICA; and typically the majority of the total assessed value of the risks concerned is attributable to Insurance Risk.

The insurance risks faced by a syndicate include the occurrence of catastrophic events, downward pressure on pricing of risks, reductions in business volumes and the risk of inadequate reserving. Reinsurance risks arise from the risk that a reinsurer fails to meet their share of a claim. The management of the syndicate's funds is exposed to risks of investment, liquidity, currency and interest rates leading to financial loss. The syndicate is also exposed to regulatory and operational risks including its ability to continue to trade. However, supervision by Lloyd's and the Financial Services Authority provide additional controls over the syndicate's management of risks.

The Group manages the risks faced by the syndicates on which its subsidiaries participates by monitoring the performance of the syndicates it supports. This commences in advance of committing to support a syndicate for the following year, of a review of the business plan prepared for each syndicate by its managing agent. In addition quarterly reports and annual accounts together with any other information made available by the managing agent are monitored and if necessary enquired into. If the Group considers that the risks being run by the syndicate are excessive it will seek confirmation from the managing agent that adequate management of the risk is in place and if considered appropriate will withdraw support from the next year of account.

Investment and currency risks

The other significant risks faced by the Group are with regard to the investment of funds within its own custody. The elements of these risks are investment risk, liquidity risk, currency risk and interest rate risk. To mitigate this, the surplus Group funds are deposited with highly rated banks. The main liquidity risk would arise if a syndicate had inadequate liquid resources for a large claim and sought funds from the Group to meet the claim. In order to minimise investment, credit and liquidity risk the Group's funds are invested in readily realisable money market deposits.

Regulatory risks

The Company's subsidiaries are subject to continuing approval by Lloyd's and the Financial Services Authority to be a member of a Lloyd's syndicate. The risk of this approval being removed is mitigated by monitoring and fully complying with all requirements in relation to membership of Lloyd's. The capital requirements to support the proposed amount of syndicate capacity for future years are subject to the requirements of Lloyd's. A variety of factors are taken into account by Lloyd's in setting these requirements including market conditions and syndicate performance and although the process is intended to be fair and reasonable the requirements can fluctuate from one year to the next, which may constrain the volume of underwriting the Company's subsidiary is able to support.

The Company is subject to the AIM Rules. Compliance with the AIM Rules is monitored by the Board.

Operational risks

As there are relatively few transactions actually undertaken by the Group there are only limited systems and staffing requirements of the Group and therefore operational risks are not considered to be significant. Close involvement of all Directors in the Group's key decision making and the fact that the majority of the Group's operations are conducted by syndicates provides control over any remaining operational risks.

3. Segmental information

Primary segment information

The Group has three primary segments which represent the primary way in which the Group is managed:

- Syndicate participation;
- Investment management;
- Other corporate activities.

Year ended 31 December 2008	Syndicate participation £'000	Investment management £'000	Other corporate activities £'000	Total £'000
Net earned premium	2,627	—	—	2,627
Net investment income	134	224	—	358
Other underwriting income	(1)	—	—	(1)
Other income	—	—	25	25
Net insurance claims and loss adjustment expenses	(1,924)	—	—	(1,924)
Expenses incurred in insurance activities	(720)	—	—	(720)
Amortisation of syndicate capacity	—	—	(150)	(150)
Other operating expenses	—	—	(300)	(300)
Results of operating activities	116	224	(425)	(85)

Notes to the financial statements cont.
Year ended 31 December 2008

3. Segmental information (continued)
Primary segment information (continued)

17 months ended 31 December 2007	Syndicate participation £'000	Investment management £'000	Other corporate activities £'000	Total £'000
Net earned premium	—	—	—	—
Net investment income	—	174	—	174
Other income	—	—	—	—
Net insurance claims and loss adjustment expenses	—	—	—	—
Expenses incurred in insurance activities	—	—	—	—
Other operating expenses	—	—	(85)	(85)
Results of operating activities	—	174	(85)	89

Secondary segment information

The Group does not have any secondary segments as it considers all of its activities to arise from trading within the UK.

4. Insurance liabilities and reinsurance balances
Movement in claims outstanding

	2008		
	Gross £'000	Reinsurance £'000	Net £'000
At 1 January 2008	—	—	—
Increase in reserves arising from acquisition of subsidiary undertakings	717	191	526
Movement of reserves	1,740	378	1,362
Net exchange differences and changes in syndicate participation	422	109	313
At 31 December 2008	2,879	678	2,201

Movement in unearned premium

	2008		
	Gross £'000	Reinsurance £'000	Net £'000
At 1 January 2008	—	—	—
Increase in reserves arising from acquisition of subsidiary undertakings	159	16	143
Movement in premiums earned in the year	1,982	218	1,764
Net exchange difference and changes in syndicate participation	225	32	193
At 31 December 2008	2,366	266	2,100

Assumptions, changes in assumptions and sensitivity

As described in Note 2 the majority of the risks to the Group's future cash flows arise from subsidiary's participation in the results of Lloyd's syndicates and are mostly managed by the managing agents of the syndicates. The Group's role in managing these risks, in conjunction with its subsidiary's members' agent, is limited to a selection of syndicate participations and monitoring the performance of the syndicates and their managing agents.

The amounts carried by the Group arising from insurance contracts are calculated by the managing agents of the syndicates and derived from accounting information provided by the managing agents and reported upon by the syndicate auditors.

The key assumptions underlying the amounts carried by the Group arising from insurance contracts are:

- The claims reserves calculated by the managing agents are accurate.
- The potential deterioration of run off year results has been fully provided for by the managing agents.
- The funds at Lloyd's ratio will not change.

There have been no changes in assumptions in 2008.

The amounts carried by the Group arising from insurance contracts are sensitive to various factors as follows:

- A 10% increase/decrease in the managing agents calculation of gross claims reserves will decrease/increase the Group's pre-tax profits by £288,000.
- A 10% increase/decrease in the managing agents calculation of net claims reserves will decrease/increase the Group's pre-tax profits by £220,000.
- A 10% increase/decrease in the run off year net claims reserves will decrease/increase the Group's pre-tax profits by £4,000.
- A change in the Group's funds at Lloyd's ratio from its current ratio of 40% to 45% will increase the funds at Lloyd's requirement by £282,000.

4. Insurance liabilities and reinsurance balances (continued)

Analysis of gross and net claims development

The tables below provide information about historical gross and net claims development.

The figures for 2006 and prior and 2007 are in relation to Nameco (No. 365) Limited only. The figures for 2008 are in relation to Nameco (No. 365) Limited and Hampden Corporate Member Limited combined.

Gross claims as % of gross earned premium

Year of Account	2006	2007	**2008**
12 months	49.2%	58.1%	75.9%
24 months	48.6%	61.2%	—
36 months	45.3%	—	—

Net claims as a % of net earned premium

Year of Account	2006	2007	**2008**
12 months	56.1%	63.5%	74.3%
24 months	53.0%	64.7%	—
36 months	47.7%	—	—

5. Net investment income

	Year ended 31 December 2008 £'000	17 months ended 31 December 2007 £'000
Investment income at fair value through income statement	67	—
Realised gains on financial investments at fair value through income statement	92	—
Unrealised (losses)/gains on financial investments at fair value through income statement	(17)	101
Investment management expenses	(48)	—
Bank interest	264	73
Net investment income	358	174

6. Operating (loss)/profit before tax

	Year ended 31 December 2008 £'000	17 months ended 31 December 2007 £'000
Operating (loss)/profit before tax is stated after charging:		
Directors' remuneration	74	26
Amortisation of intangible assets	150	—
Auditors' remuneration:		
– audit of the Parent Company and Group Financial Statements	12	12
– audit of subsidiary company Financial Statements	2	—
– services relating to taxation	2	2
– other services pursuant to legislation	15	—

The Group has no employees.

Directors' remuneration	**Year ended 31 December 2008 £**	17 months ended 31 December 2007 £
Sir Michael Oliver	22,872	8,205
Andrew Leslie	17,154	5,904
Jeremy Evans	17,154	5,904
Michael Cunningham	17,154	5,904
Total	74,336	25,917

Directors' remuneration comprises only Directors' fees. The Directors derive no other benefits, pension contributions or incentives from the Group. At 31 December 2008 no share options were held by the Directors.

The Company has not established a Remuneration Committee since it does not have any employees or Executive Directors.

Notes to the financial statements cont.

Year ended 31 December 2008

7. Income tax expense

	Year ended 31 December 2008 £'000	17 months ended 31 December 2007 £'000
(a) Analysis of tax charge in the year/period		
Current tax:		
– Current year	(24)	27
– Prior year	(3)	—
	(27)	27
Deferred tax:		
– Current year	(8)	—
– Prior year	(2)	—
	(10)	—
Tax on (loss)/profit on ordinary activities	(37)	27

(b) Factors affecting the tax (credit)/charge for the year/period

Tax for the year is lower than (2007: equal to) the standard rate of corporation tax in the UK of 21% (2007: 30%).
The differences are explained below:

(Loss)/profit on ordinary activities before tax	(85)	89
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21% (2007: 30%)	(18)	27
Prior year adjustments	(5)	—
Permanent disallowances	3	—
Dividend income not subject to tax	(4)	—
Timing differences on the sale of shares	(12)	—
Negative goodwill not subject to tax	(5)	—
Fair value adjustment not subject to tax	2	—
Other	2	—
Tax (credit)/charge for the year	(37)	27

The results of the Group's participation on the 2006, 2007 and 2008 years of account and the calendar year movement on 2005 and prior run offs will not be assessed to tax until the year ended 2009, 2010 and 2011 respectively being the year after the calendar year result of each year or the normal date of closure of each year of account. Full provision is made as part of the deferred tax provisions for underwriting profit/losses not yet subject to corporation tax.

8. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

The Group has no dilutive potential ordinary shares.

Earnings per share have been calculated in accordance with IAS 33.

Reconciliation of the earnings and weighted average number of shares used in the calculation is set out below.

	Year ended 31 December 2008 £'000	17 months ended 31 December 2007 £'000
(Loss)/profit for the period (£)	(48,000)	62,000
Weighted average number of shares in issue	7,413,376	7,413,376
Basic and diluted (loss)/earnings per share (p)	(0.65)	0.83

9. Dividends

No equity dividends were proposed, declared or paid in the year (2007: £nil).

10. Intangible assets

	Syndicate capacity £'000
Cost	
At 1 January 2008	**981**
Additions	17
Disposals	(3)
Acquired with subsidiary undertaking	86
At 31 December 2008	**1,081**
Amortisation	
At 1 January 2008	**—**
Charge for the year	150
Acquired with subsidiary undertaking	11
At 31 December 2008	**161**
Net book value	
As at 31 December 2008	**920**
As at 31 December 2007	981

11. Financial investments

Group	31 December 2008 £'000	31 December 2007 £'000
Shares and other variable yield securities	124	435
Debt securities and other fixed income securities	1,683	—
Holdings in collective investment schemes	23	—
Deposits with credit institutions	32	—
Funds held at Lloyd's	2,258	2,051
Other	11	—
Market value	4,131	2,486
Cost	4,155	2,385
Listed investments included in the above	1,830	435

Company	31 December 2008 £'000	31 December 2007 £'000
Investment in subsidiary undertakings	159	—
Shares and other variable yield securities	—	435
Market value	159	435
Cost	159	334
Listed investments included in the above	—	435

12. Other receivables

Group	31 December 2008 £'000	31 December 2007 £'000
Arising out of direct insurance operations	1,065	—
Arising out of reinsurance operations	1,105	—
Other debtors	387	79
	2,557	79

Company	31 December 2008 £'000	31 December 2007 £'000
Amounts owed by subsidiary undertakings	3,257	3,040
Other debtors	3	79
Prepayments	38	33
	3,298	3,152

All other receivables are due within one year.

Notes to the financial statements cont.

Year ended 31 December 2008

13. Other payables

	31 December 2008 £'000	31 December 2007 £'000
Group		
Arising out of direct insurance operations	135	—
Arising out of reinsurance operations	436	—
Other creditors	232	—
	803	—

	31 December 2008 £'000	31 December 2007 £'000
Company		
Other creditors	2	—
Accruals and deferred income	17	39
	19	39

All other payables are due within one year.

14. Deferred income tax

Deferred income tax is calculated in full on temporary differences using a tax rate of 21%. The movement on the deferred tax account is shown below:

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
At 1 January	—	—	—	—
Acquisition of subsidiary undertaking	15	—	—	—
Prior period adjustment	(2)	—	—	—
Credit for the year	(8)	—	—	—
At 31 December	5	—	—	—

The movements in deferred income tax assets and liabilities during the year are shown below:

Deferred income tax assets	Unutilised losses £'000	Timing differences on underwriting results £'000	Total £'000
At 1 January	—	—	—
Prior period adjustment	2	—	2
Credit for the year	8	6	14
At 31 December	10	6	16

Deferred income tax assets have been recognised in respect of all tax losses and timing differences giving rise to deferred income tax assets because it is probable that these assets will be recovered.

Deferred income tax liabilities	Timing differences on underwriting results £'000	Total £'000
At 1 January	—	—
Acquisition of subsidiary undertaking	15	15
Credit for the year	6	6
At 31 December	21	21

15. Share capital and share premium

Authorised	Ordinary share capital £'000	Preference share capital £'000	Total £'000
29,500,000 ordinary shares of 10p each and 100,000 preference shares of 50p each at 1 January 2008	2,950	50	3,000
29,500,000 ordinary shares of 10p each and 100,000 preference shares of 50p each at 31 December 2008	2,950	50	3,000

Allotted, called up and fully paid	Ordinary share capital £'000	Share premium £'000	Total £'000
7,413,376 ordinary shares of 10p each and share premium at 1 January 2008	741	6,261	7,002
7,413,376 ordinary shares of 10p each and share premium at 31 December 2008	741	6,261	7,002

16. Retained earnings

Group	31 December 2008 £'000	31 December 2007 £'000
At 1 January	62	—
(Loss)/profit attributable to equity shareholders	(48)	62
At 31 December	14	62

Company	31 December 2008 £'000	31 December 2007 £'000
At 1 January	70	—
Profit attributable to equity shareholders	86	70
At 31 December	156	70

17. Acquisition of Nameco (No. 365) Limited

On 31 January 2008 Hampden Underwriting plc acquired 100% of the issued share capital of £1 ordinary shares of Nameco (No. 365) Limited for £159,000. Nameco (No. 365) Limited is incorporated in England and Wales and is a corporate member of Lloyd's.

The acquisition has been accounted for using the purchase method of accounting. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the fair value of the net assets was £184,000. Negative goodwill of £25,000 arose on acquisition and has been immediately recognised as other income in the income statement. The following table explains the fair value adjustments made to the carrying values of the major categories of assets and liabilities at the date of acquisition.

	Carrying value £'000	Adjustments £'000	Fair value £'000
Intangible assets	2	73	75
Financial investments	563	—	563
Reinsurance share of insurance liabilities	211	—	211
Other receivables, including insurance receivables	344	—	344
Prepayments and accrued income	42	—	42
Cash and cash equivalents	75	—	75
Insurance liabilities	(896)	—	(896)
Other payables, including insurance payables	(203)	—	(203)
Accruals and deferred income	(12)	—	(12)
Deferred income tax liabilities	(15)	—	(15)
Net assets acquired	111	73	184
Satisfied by:			
Cash and cash equivalents	159	—	159
Positive/(negative) goodwill	48	—	(25)

The profit of Nameco (No. 365) Limited for the period since the acquisition date to 31 December 2008 is £30,000.

The Group net earned premium and loss for the year would have been £2,652,000 and £45,000 respectively if the acquisition date of Nameco (No. 365) Limited had been 1 January 2008.

Notes to the financial statements cont.

Year ended 31 December 2008

18. Related party transactions

The table set out below illustrates the Parent Company inter-company balances at the year end.

Company	31 December 2008 £'000	31 December 2007 £'000
Balances due from Group companies at the period end:		
Hampden Corporate Member Limited	3,132	3,040
Nameco (No. 365) Limited	125	—
Total	3,257	3,040

Hampden Underwriting plc has provided an inter-company loan to Hampden Corporate Member Limited, a 100% subsidiary of the Company. The amount outstanding as at 31 December 2008 is £3,132,000 (2007: £3,040,000). Interest is charged on the loan at base rate plus 0.125%. The loan is repayable on three months notice provided it does not jeopardise the ability of Hampden Corporate Member Limited to meet its liabilities as they fall due.

Hampden Underwriting plc has provided an intercompany loan to Nameco (No.365) Limited, a 100% subsidiary of the Company. The amount outstanding as at 31 December 2008 is £125,000 (2007: £nil). Interest is charged on the loan at base rate plus 0.125%. The loan is repayable on three months notice provided it does not jeopardise the ability of Nameco (No.365) Limited to meet its liabilities as they fall due.

Hampden Underwriting plc and Hampden Corporate Member Limited, a 100% subsidiary of the Company, have entered into a management agreement with Nomina plc. Jeremy Evans, a Director of Hampden Underwriting plc and Hampden Corporate Member Limited is also a Director of Nomina plc. Under the agreement, Nomina plc provides management and administration, financial tax and accounting services to the Group for an annual fee of £2,625 (2007: nil).

Hampden Corporate Member Limited, a 100% subsidiary of the Company, has entered into a members' agency agreement with Hampden Agencies Limited. Jeremy Evans, a Director of Hampden Underwriting plc and Hampden Corporate Member Limited, and Sir Michael Oliver, a Director of Hampden Underwriting plc, are also Directors of Hampden Capital plc which controls Hampden Agencies Limited. Under the agreement, Hampden Corporate Member Limited will pay Hampden Agencies Limited a fee based on a fixed amount, which will vary depending upon the number of syndicates the Company underwrites on a bespoke basis, and a variable amount depending on the level of underwriting through the members' agent pooling arrangements. In addition the Company will pay profit commission on a sliding scale from 1% of the net profit up to a maximum of 10%. The total fee payable for 2008 will be £15,250.

Nameco (No.365) Limited has entered into a management agreement with Nomina plc and a members' agency agreement with Hampden Agencies Limited. Under the management agreement Nameco (No.365) Limited pays Nomina plc £2,625 (2007: £2,625) for management, administration, financial, tax and accounting services. Under the members' agency agreement Nameco (No.365) Limited will pay Hampden Agencies Limited a fee based on a fixed amount, which will vary depending upon the number of syndicates the Company underwrites on a bespoke basis, and a variable amount depending on the level of underwriting through the members' agent pooling arrangements. In addition the Company will pay profit commission on a sliding scale from 1% of the net profit up to a maximum of 10%. The total member's fee payable for 2008 will be £5,093.

Hampden Underwriting plc has entered into a company secretarial agreement with Hampden Legal plc. Under the agreement, Hampden Legal plc provides company secretarial services to the Group for an annual fee of £38,000. During the year, company secretarial fees of £36,000 (2007: £12,000) were charged to Hampden Underwriting plc. Hampden Holdings Limited has a controlling interest in both Hampden Legal Plc and Hampden Capital Plc.

19. Events after the balance sheet date

On 16 February 2009 Hampden Underwriting plc acquired 100% of the issued share capital of £1 ordinary shares of Nameco (No. 605) Limited for £497,000. Nameco (No. 605) Limited is a corporate member of Lloyd's. It is not practicable to disclose further details of the financial effect of this acquisition as the financial statements of Nameco (No. 605) Limited are not yet available.

In order to support the underwriting of Nameco (No. 605) Limited, the Group deposited Funds at Lloyd's of £892,455 on 16 February 2009. In addition in order to support the existing underwriting capacity of the Group's subsidiaries, a further £544,576 will be required to be deposited with Lloyd's by 30 June 2009.

20. Syndicate participations

The syndicates and members' agent pooling arrangements ("MAPA") in which the Company's subsidiaries participate as corporate members of Lloyd's as are follows:

Syndicate or MAPA Number	Managing or Members' Agent	Allocated capacity Year of Account 2006 £'000	2007 £'000	**2008 £'000**
218	Equity Syndicates Management Limited	38,850	40,792	43,851
510	RJ Kiln & Co. Limited	44,000	45,000	38,572
609	Atrium Underwriters Limited	45,000	45,000	41,718
623	Beazley Furlonge Limited	45,198	42,673	37,960
1200	Heritage Managing Agency Limited	36,000	21,445	21,507
2020	Wellington U/W Agencies Limited	46,321	—	—
2791	Managing Agents Partners Limited	—	—	19,988
6104	Hiscox Syndicates Limited	—	—	100,000
7200	Members' Agents Pooling Arrangement	15,150	16,059	13,791
7201	Members' Agents Pooling Arrangement	80,382	85,204	72,932
7202	Members' Agents Pooling Arrangement	29,460	30,638	26,447
7203	Members' Agents Pooling Arrangement	5,626	4,889	4,128
7208	Members' Agents Pooling Arrangement	—	—	5,000,000
Total		385,987	331,700	5,420,894

For the 2006 and 2007 years of account, the participation is through Nameco (No. 365) Limited.

21. Group owned net assets

The Group balance sheet includes the following assets and liabilities held by the syndicates on which the Group participates. These assets are subject to trust deeds for the benefit of the relevant syndicates' insurance creditors. The table below shows the split of the Group balance sheet between group and syndicate assets and liabilities.

	31 December 2008			31 December 2007		
	Group £'000	**Syndicate £'000**	**Total £'000**	Group £'000	Syndicate £'000	Total £'000
Assets						
Intangible assets	920	—	920	981	—	981
Financial investments	2,258	1,873	4,131	2,486	—	2,486
Reinsurance share of insurance liabilities:						
– Reinsurers' share of outstanding claims	—	678	678	—	—	—
– Reinsurers' share of unearned premiums	—	266	266	—	—	—
Other receivables, including insurance receivables	82	2,475	2,557	112	—	112
Prepayments and accrued income	41	571	612	—	—	—
Deferred income tax assets	—	16	16	—	—	—
Cash and cash equivalents	3,773	158	3,931	3,552	—	3,552
Total assets	7,074	6,037	13,111	7,131	—	7,131
Liabilities						
Insurance liabilities						
– Claims outstanding	—	2,879	2,879	—	—	—
– Unearned premiums	—	2,366	2,366	—	—	—
Other payables, including insurance payables	48	755	803	40	—	40
Accruals and deferred income	63	(37)	26	—	—	—
Current income tax liabilities	—	—	—	27	—	27
Deferred income tax liabilities	21	—	21	—	—	—
Total liabilities	132	5,963	6,095	67	—	67
Shareholders' equity						
Share capital	741	—	741	741	—	741
Share premium	6,261	—	6,261	6,261	—	6,261
Retained earnings	(60)	74	14	62	—	62
Total shareholders' equity	6,942	74	7,016	7,064	—	7,064
Total liabilities and shareholders' equity	7,074	6,037	13,111	7,131	—	7,131

Registered officers and advisers

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Sir Michael Oliver (Non-executive Chairman)
Andrew Leslie (Non-executive Director)
Jeremy Evans (Non-executive Director)
Michael Cunningham (Non-executive Director)

Company secretary
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