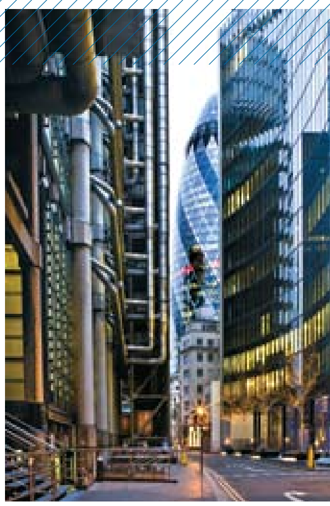
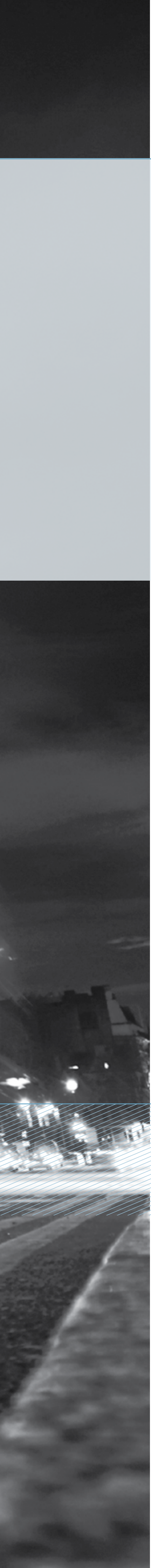
Hampden Underwriting plc

Annual report and accounts 2009

Highlights

- Group's second acquisition of a Lloyd's corporate member during the year
- Premium written during the year totalled £8.6m (an increase of 64% over the same period last year)
- Net profit attributable to equity shareholders of £724,000
- Earnings per share of 9.77p
- Net assets increase to £7.7m

Financial results

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Gross premium written	8,610	5,245
Profit/(loss) before tax	985	(85)
Profit/(loss) after tax	724	(48)
Earnings per share	9.77p	(0.65p)

Chairman's statement

Summary of Chairman's statement

- The increase in net asset value and the production of a pre-tax profit of £985,000
- As and when the timing is right, we will be seeking to raise further capital from both existing shareholders and new investors to enable us to continue with our acquisition policy
- The current outlook appears promising with the prospect of attractive returns resulting from the 2008 and 2009 years of account

Hampden Agencies, our Lloyd's adviser, start their report with the statement: "what a difference a year makes", and it is difficult to think of a better way to begin my statement than to agree with them – what a difference a year makes, albeit for different reasons.

I am delighted with the results this year, particularly when one remembers that the first year of account in which Hampden Corporate Member participated was the 2008 year which will not close until the end of 2010. The increase in net asset value and the production of a pre-tax profit of £985,000, compared to a loss last year of £85,000, is testament to the quality of our underwriting portfolio constructed by Hampden Agencies and of our policy of acquiring other corporate members which enabled us to have exposure to the excellent 2007 year. We continue to look at opportunities to make similar acquisitions but not at any price. Unless our valuation criteria are met we are happy to walk away from the transaction; if capital with excessive zeal is willing to pay a higher price than that which we are prepared to pay then so be it. As and when the timing is right, we will be seeking to raise further capital from both existing shareholders and new investors to enable us to continue with our acquisition policy.

You will recall that as well as underwriting in our own right and acquiring other corporate members, the third element of our strategy was to look at other Lloyd's related opportunities. We have seen several during the course of the year but they were not of sufficient interest to persuade us to utilise our capital to support them as opposed to increasing our exposure to underwriting.

The current outlook appears promising with the prospect of attractive returns resulting from the 2008 and 2009 years of account but it is important to realise that insurance has, is, and will continue to be a cyclical business. However it is encouraging that Hampden Agencies report that, despite the current challenging conditions, they see no evidence of a dangerous lack of discipline in the market which characterised previous loss making years. With lower investment returns maintaining pressure on underwriters to generate underwriting profits coupled with a disciplined approach and lack of complacency, we remain confident of our ability to generate attractive returns for shareholders.

Sir Michael Oliver
Non-executive Chairman
20 May 2010

With lower investment returns maintaining pressure on underwriters to generate underwriting profits coupled with a disciplined approach and lack of complacency, we remain confident of our ability to generate attractive returns for shareholders.

Lloyd's Adviser's report

Summary of Lloyd's Adviser's report

— Now is the time to be cautious in view of constrained demand and ample supply of capital

— A the world's leading subscription market for insurance and reinsurance risk, Lloyds ended 2009 with its reputation and market position enhanced

— Lloyds outperformed its nearest competitor by an aggregate of 7% over the period 2005 – 2009

Market outlook

What a difference a year makes. A year ago, 2008 had marked the steepest fall in the benchmark Standard & Poor's 500 Index since 1931, with a fall of 38.5%. At the end of the first quarter of 2009, just after the stock market had bottomed, the financial crisis of 2008 ranked as the largest "capital event" over the past 20 years for the US property and casualty industry. Losses on investments, both realised and unrealised, had eroded 16.2% of the industry's surplus, exceeding the previous record for an insured loss of 13.8% for Hurricane Katrina. Against this background, we were optimistic that 2009 would prove to be a year of transition with the market moving from a softening/soft market (falling rates) to a hardening market (rising rates) in 2010.

The turnaround in the asset markets has been in complete contrast to the position a year ago. The Standard & Poor's 500 Index at the end of April 2010 was up 76% from the March 2009 lows, which is the sharpest rise since 1932/1933. Credit spreads have narrowed and with it the value of assets on insurers' and reinsurers' balance sheets has increased. Combined with a benign year for natural catastrophes in 2009, policyholder surplus, (a measure of its capital base) in the United States is now within 2% of its pre-financial crisis peak and softening market conditions have reasserted themselves other than in loss affected lines such as aviation and UK motor.

Today, the one constant is that the National Bureau for Economic Research has not yet called the end of the "great recession" in the United States, although most economists consider the likely end was in June 2009, which would make the recession at 19 months the longest since 1929 and almost twice the length of the average recession. The impact of reduced demand for insurance due to the recession and rate competition has resulted in net written premiums in the US property/casualty market falling in each of the years 2007 through to 2009, marking the first three year decline since 1930 to 1933.

In the short term, market conditions overall can best be described as challenging. The Lloyd's market continues to benefit from improved discipline and controls both at Managing Agency level and Franchise Board level. We do not anticipate a return to the aggressive market conditions of the late 1980s and late 1990s, characterised by under-reserving and broad terms and conditions. In particular, we continue to see the reinsurance marketplace as being disciplined with no sign of the naïve reinsurance capacity which has been associated with previous soft insurance markets.

Our conclusion is that now is the time to be cautious in view of constrained demand and ample supply of capital. With Lloyd's setting the business planning exchange rate for 2011 at $1.50:£1, the same rate as for this year, we expect many syndicates to reduce their capacity for 2011 in the face of a general downward pressure on rates.

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Lloyd's Adviser's report
Continued

As the world's leading subscription market for insurance and reinsurance risk, Lloyd's ended 2009 with its reputation and market position enhanced.

Market outlook (continued)
Encouragingly, we do not see evidence of the lack of discipline which characterised the loss making years at the end of the 1980s and 1990s. We expect the pressure for rate rises to build over the next two years due to a combination of reserve releases tapering off and continued low investment returns. While our current message is one of caution, investors in Hampden Underwriting can be reassured by our view that Lloyd's is currently better positioned relative to its peers than at any time over the past ten years.

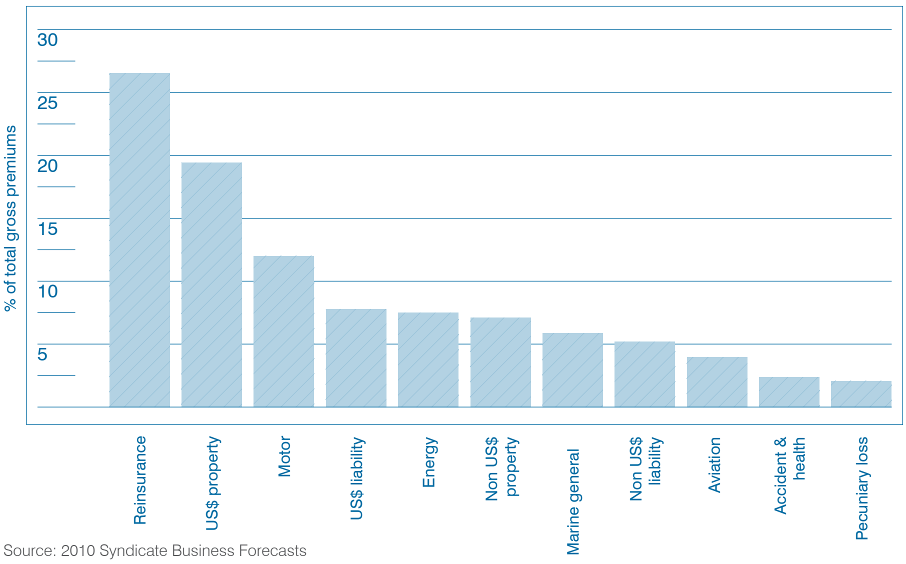
Our investment thesis for Lloyd's remains that in an era of low investment returns there is greater pressure to generate an underwriting profit in order to provide an acceptable return on equity for providers of risk capital, although current market conditions are such that some insurers have yet to fully appreciate this pressure. It is no coincidence that during this era of low investment returns, Lloyd's has been consistently profitable for each of the closed 2002 through to 2007 accounts (on a three year account basis). We expect Lloyd's to continue to perform well, relative to the industry, and the syndicates supported by Hampden Underwriting to outperform Lloyd's.

Lloyd's competitive position continues to strengthen
As the world's leading subscription market for insurance and reinsurance risk, Lloyd's ended 2009 with its reputation and market position enhanced. Since 2001 Lloyd's has been one of only three major reinsurers whose Standard & Poor's credit rating is currently unchanged compared with the position before the World Trade Centre losses in 2001. The Lloyd's subscription model backed by a layer of mutual security continues to prove its worth to clients as many large insureds and reinsurers seek to diversify their counterparty risk. As a platform there has been continued strong investor interest in Lloyd's with eight new syndicates being established in 2009/2010.

Importantly, Lloyd's operating results continue to be excellent using both the three year and annual reporting measures. The 2007 three year account result announced by Lloyd's on 24 March 2010 was a 17% return on capacity while, in spite of catastrophe losses from Hurricane Ike, an improved forecast of 4% was reported for the 2008 account. Lloyd's annually accounted results for 2009 were a record pre-tax profit of £3.9bn.

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 2009, Lloyd's combined ratio was the second best in its peer group at 86%, with Lloyd's outperforming its nearest competitor, Bermudian reinsurers, by an aggregate of 7% over the period 2005 to 2009.

Portfolio class of business split for 2010 account



Source: 2010 Syndicate Business Forecasts

Lloyd's operating results have outperformed its main peer groups, while HAL's managed portfolios continue to outperform Lloyd's on a three year account basis with a result of 19.7% for the closed 2007 account compared with the Lloyd's average of 17.0%.

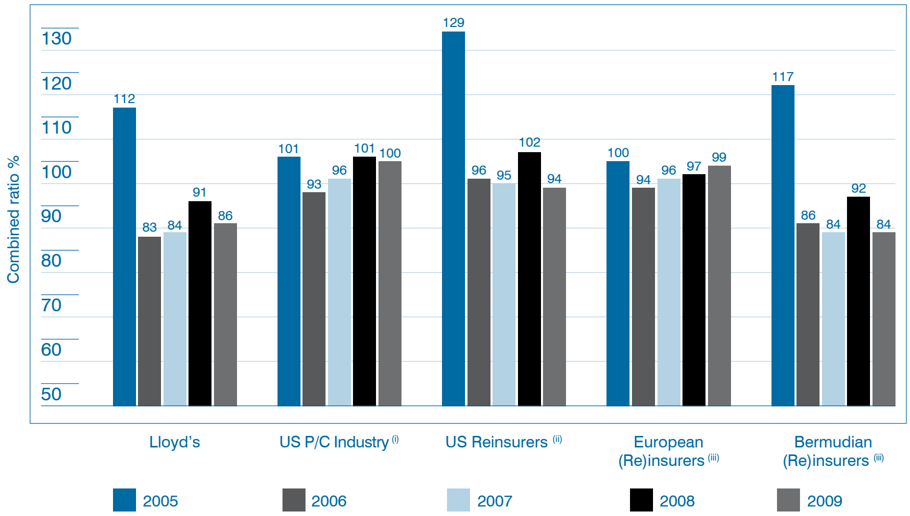
Hampden underwriting's performance

Hampden Underwriting's first underwriting year through Hampden Corporate Member is the 2008 account with underwriting capacity of £5.1m and a further £2.8m from the two Nameco acquisitions (Nameco 365 and Nameco 605). Both Nameco acquisitions have also given exposure to the profitable 2006 and 2007 accounts. During 2008 and 2009 Hampden Underwriting added four smaller individual participations on MAP Syndicate 6103, Hiscox Syndicate 6104, Amlin Syndicate 6106 and ICAT Syndicate 4242, all of which give additional exposure to US catastrophe business which remains well rated.

2008 Account

The latest mid-point estimate after eight quarters is a profit of 7.06% of capacity. On this estimate the portfolio is outperforming the Lloyd's market average of 4.00% of capacity. This estimated result is an excellent performance given that 2008 marked the third worst year on record for insured catastrophe losses.

Combined ratio comparative performance of Lloyd's with its competitors 2005-2009



Source: Lloyd's, i) Insurance Information Institute (estimate 2009), ii) Reinsurance Association of America, iii) Company data (8 European companies: 18 Bermudian companies).

Top 10 syndicate holdings

Syndicate	Managing agent	2010 Syndicate capacity £'000	2010 HCM portfolio capacity £'000	2010 HCM portfolio % of total	Class
2791	Managing Agency Partners Ltd	500,000.0	1,450.2	16.5	Reinsurance
510	R. J. Kiln & Co. Ltd	920,000.0	1,267.6	14.5	US$ property
623	Beazley Furlonge Ltd	222,300.0	903.5	10.3	US$ Non-marine liability
609	Atrium Underwriters Ltd	275,000.0	634.8	7.2	Energy
958	Omega Underwriting Agents Ltd	280,000.0	573.7	6.5	Reinsurance
33	Hiscox Syndicates Ltd	1,000,000.0	548.7	6.3	US$ property
218	Equity Syndicate Management Ltd	486,249.5	509.2	5.8	Motor
557	R. J. Kiln & Co. Ltd	119,577.0	505.9	5.8	Reinsurance
260	KGM Underwriting Agencies Ltd	72,499.8	353.7	4.0	Motor
2121	Argenta Syndicate Management Ltd	175,000.0	288.8	3.3	US$ property
Subtotal			7,036.2	80.3	
Total			8,767.3	100.0	

The two largest classes of business are reinsurance and US$ property insurance. As the rating levels are more attractive in reinsurance than insurance, the weighting of reinsurance relative to insurance has increased for 2010 compared with 2009. These classes include business exposed to catastrophes and therefore the next two largest classes, being motor and US casualty, provide balance to these exposures.

Lloyd's Adviser's report
Continued

2009 Account

Estimates for all syndicates on the 2009 account will not be available until the end of May, reflecting data at the end of the first quarter of 2010. Forecasts at the end of the fourth quarter of 2009 have been received for nine syndicates in Hampden Underwriting's portfolio for the 2009 account representing 58% of capacity with an average mid-point forecast of 11.2% on capacity. It is encouraging that at this early stage, eight of these nine syndicates are forecasting profits, the one exception being a motor syndicate which has been affected by the difficult trading conditions in UK motor. However, the 2009 account is still on risk and at the time of writing two significant catastrophe losses this year, the Chilean earthquake and the Deepwater Horizon rig explosion, will impact the 2009 account and adversely affect some of the early estimates. Also reinsurance business is exposed, in particular to earthquake, until 30 June 2010 while many insurance policies will be on risk until 31 December 2010. Hampden maintains its profit target of 5% to 12.5% of capacity, excluding prior year releases.

2010 Account

In contrast to the benign catastrophe year in 2009, 2010 has so far been above average with record insured losses in the first quarter headed by the Chilean earthquake, totalling $16bn, as estimated by Willis Re. Already, the second quarter has started with a major loss in the energy market with the sinking of the Deepwater Horizon oil rig following an explosion on 20 April 2010 with estimated insured losses of up $1.5bn, though a significant portion of this loss is expected to fall back to the 2009 account. While "market changing" for the energy market this year, this loss is likely to be widely spread amongst insurers and reinsurers and is not expected to have a broad based impact on other classes of business. Likewise, it is unlikely that the Chilean earthquake, which took place on 27 February 2010, with estimated insured losses of $10bn or more, will on its own have an impact on market conditions. Losses from the Chilean earthquake are likely to be split fairly evenly between the 2009 and 2010 accounts.

Catastrophe losses so far this year will have used up a material portion of many underwriters' catastrophe margin for the full year so an active hurricane season including a mega catastrophe like Hurricane Katrina or an accumulation of smaller losses could be sufficient to turn the market.

Hampden's profit target for the year remains 5% to 10%, although a downwards revision is possible due to the level of catastrophe losses and rating conditions, which have been disappointing.

Apart from UK motor, aviation and loss affected business such as financial institutions D&O, so far this year there has been a general softening of rates and we expect this to continue into 2011. Reinsurance rates at 1 April 2010 continued the declining trend experienced at 1 January 2010 when rates were down by 6% using Guy Carpenter's World Rate on Line Index. Similarly direct insurance rates in the US, Lloyd's biggest market, are also down by an average of 5.3% in the first quarter of this year according to a survey by the Council of Insurance Agents and Brokers.

Hampden Underwriting's portfolio for 2010 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.

26.9% of the capacity is in the three syndicates rated A by HAL, being Syndicates 386, 609 and 2791 with Syndicate 2791 being the largest holding at 16.5% of capacity. 62.8% of the portfolio is in syndicates rated B, including the Kiln Syndicate 510 which makes up 14.5% of the portfolio and has a good track record of outperforming the market. 10.3% of the capacity is allocated to C rated syndicates.

The ratings are intended to indicate HAL's view of expected performance of a syndicate over a cycle, "A" being superior, "B" being above average and "C" being average.

Portfolio risk management

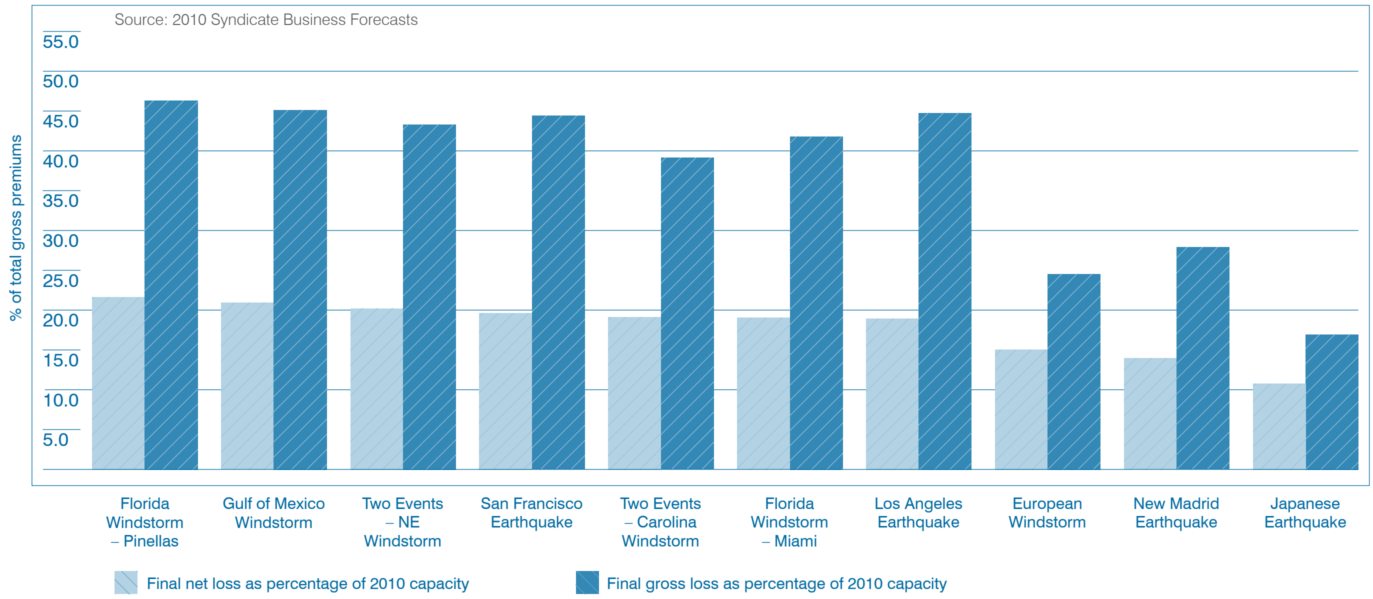
HAL manages the portfolio risk by diversification across classes of business, syndicates and managing agents as well as controlling the downside, in the event of a major loss, by monitoring the aggregate losses estimated by managing agents to Realistic Disaster Scenarios ("RDSs"). HAL considers risk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

Lloyd's first utilised RDSs 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 2010 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 table below shows the aggregated impact at portfolio level for Hampden Underwriting for the ten largest net exposures (after reinsurance) to events modelled for 2010. 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. Hampden Underwriting's largest modelled exposure net of reinsurance is to a Florida windstorm at 21.6% of capacity net; this is an increase on the highest RDS for a two event scenario at 18.8% of capacity on the 2009 account. While just above the normal maximum guideline of 20% of capacity, this exposure takes account of Hampden Underwriting's unutilised capital and rating conditions in reinsurance.

Portfolio Realistic Disaster Scenario aggregates for 2010 account

Top 10 net exposures gross and net of reinsurance



Directors

Sir James Michael Yorrick Oliver, aged 69
(Non-executive Chairman)
Sir Michael Oliver is 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 a director of Hampden Capital plc.

Jeremy Richard Holt Evans, aged 52
(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.

John Andrew Leslie, aged 65
(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.

Harold Michael Clunie Cunningham, aged 62
(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 £100m in total.

Report of the Directors

The Directors present their report and the audited Group Financial Statements for the year ended 31 December 2009.

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 profit for the year ended 31 December 2009 is shown in the Group income statement. The Group profit for the year after taxation was £724,000 (2008: £48,000 loss).

No equity dividends were proposed, declared or paid in the year (2008: £Nil).

Charitable and political donations

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

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 of 10p each	
Name	31 December 2008	**31 December 2009**
Sir Michael Oliver	—	—
Andrew Leslie	—	—
Jeremy Evans	45,002	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. Sir Michael Oliver 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	**2009**	2008
Operating profit/(loss) before tax	£985,000	£(85,000)
Profit/(loss) attributable to equity shareholders	£724,000	£(48,000)
Earnings per share (p)	9.77p	(0.65)p
Return on equity (%)	9.4%	(0.7)%

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
Continued

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 2009 is none.

Substantial shareholdings
The substantial shareholders shown below were as at 17 May 2010.

	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
Littlejohn LLP have signified their 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 20 May 2010.

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	4	1	1
Jeremy Evans	4	4	—	—
Michael Cunningham	4	4	1	1
Average attendance (%)		100%		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 Report of the Directors and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Group and Parent Company Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company 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 judgements and accounting estimates that are reasonable and prudent;

— state whether applicable IFRS as adopted by the European Union 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 Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company 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. 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

Independent Auditor's Report to the Members of Hampden Underwriting plc

We have audited the Financial Statements of Hampden Underwriting plc for the year ended 31 December 2009 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements and the Group and Parent Company Statements of Changes in Shareholders' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion:

— the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2009 and of the Group's profit for the year then ended;

— the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

— the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

— the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

The Companies Act 2006 requires us to report to you if, in our opinion:

— adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us;

— the Parent Company Financial Statements are not in agreement with the accounting records and returns;

— certain disclosures of Directors' remuneration specified by law are not made; or

— we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of the above matters.

Carmine Papa (Senior statutory auditor)
For and on behalf of Littlejohn LLP
Statutory auditors
20 May 2010

1 Westferry Circus
Canary Wharf
London E14 4HD

Group income statement
Year ended 31 December 2009

	Note	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Gross premium written		8,610	5,245
Reinsurance premium ceded		(1,753)	(854)
Net premiums written		6,857	4,391
Change in unearned gross premium provision		(8)	(1,982)
Change in unearned reinsurance premium provision		116	218
	5	108	(1,764)
Net earned premium		6,965	2,627
Net investment income	6	375	358
Other underwriting income		24	(1)
Other income		337	25
		736	382
Revenue		7,701	3,009
Gross claims paid		(2,836)	(670)
Reinsurance share of gross claims paid		472	108
Claims paid, net of reinsurance		(2,364)	(562)
Change in provision for gross claims		(1,457)	(1,740)
Reinsurance share of change in provision for gross claims		170	378
Net change in provision for claims	5	(1,287)	(1,362)
Net insurance claims		(3,651)	(1,924)
Expenses incurred in insurance activities		(2,513)	(720)
Other operating expenses		(552)	(450)
Operating expenses		(3,065)	(1,170)
Operating profit/(loss) before tax	7	985	(85)
Income tax (expense)/credit	8	(261)	37
Profit/(loss) attributable to equity shareholders	17	724	(48)
Earnings per share attributable to equity shareholders			
Basic and diluted	9	9.77p	(0.65)p

The profit/(loss) 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 2009

Company number 05892671

	Note	31 December 2009 £'000	31 December 2008 £'000
Assets			
Intangible assets	11	1,216	920
Financial investments	12	10,441	4,131
Reinsurance share of insurance liabilities:			
– reinsurers' share of outstanding claims	5	1,581	678
– reinsurers' share of unearned premiums	5	349	266
Other receivables, including insurance receivables	13	4,910	2,557
Prepayments and accrued income		873	612
Deferred income tax assets	15	12	16
Cash and cash equivalents		2,111	3,931
Total assets		21,493	13,111
Liabilities			
Insurance liabilities:			
– claims outstanding	5	7,301	2,879
– unearned premiums	5	3,402	2,366
Other payables, including insurance payables	14	2,215	803
Accruals and deferred income		226	26
Current income tax liabilities		106	—
Deferred income tax liabilities	15	503	21
Total liabilities		13,753	6,095
Shareholders' equity			
Share capital	16	741	741
Share premium	16	6,261	6,261
Retained earnings	17	738	14
Total shareholders' equity		7,740	7,016
Total liabilities and shareholders' equity		21,493	13,111

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

Approved by the Board of Directors on 20 May 2010.

Andrew Leslie
Non-executive Director

Jeremy Evans
Non-executive Director

Parent Company balance sheet

At 31 December 2009

Company number 05892671

	Note	31 December 2009 £'000	31 December 2008 £'000
Assets			
Financial investments	12	656	159
Other receivables	13	4,800	3,298
Cash and cash equivalents		1,570	3,720
Total assets		7,026	7,177
Liabilities			
Other payables	14	32	19
Current income tax liabilities		—	—
Total liabilities		32	19
Shareholders' equity			
Share capital	16	741	741
Share premium	16	6,261	6,261
Retained earnings	17	(8)	156
Total shareholders' equity		6,994	7,158
Total liabilities and shareholders' equity		7,026	7,177

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

Approved by the Board of Directors on 20 May 2010.

Andrew Leslie
Non-executive Director

Jeremy Evans
Non-executive Director

Group cash flow statement

Year ended 31 December 2009

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Cash flow from operating activities		
Results of operating activities	985	(85)
Interest received	(47)	(264)
Investment income	(179)	(49)
Dividend received	—	(18)
Income tax paid	159	11
Recognition of negative goodwill	(206)	(25)
Profit on sale of intangible assets	(133)	—
Amortisation of intangible assets	217	150
Change in fair value of investments recognised in the income statement	(88)	17
Changes in working capital:		
– increase in other receivables	(2,616)	(3,057)
– increase in other payables	1,613	810
– net increase in technical provisions	4,472	4,301
Net cash inflow from operating activities	4,177	1,791
Cash flows from investing activities		
Interest received	47	264
Investment income	179	49
Dividend received	—	18
Purchase of intangible assets	(67)	(17)
Proceeds from disposal of intangible assets	135	3
Purchase of financial investments	(6,310)	(1,645)
Acquisition of subsidiary, net of cash acquired	19	(84)
Net cash outflow from investing activities	(5,997)	(1,412)
Cash flows from financing activities		
Net proceeds from issue of ordinary share capital	—	—
Net cash inflow from financing activities	—	—
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	(1,820)	379
Cash, cash equivalents and bank overdrafts at beginning of year	3,931	3,552
Cash, cash equivalents and bank overdrafts at end of year	2,111	3,931

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

Parent Company cash flow statement

Year ended 31 December 2009

Cash flows from operating activities	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Results of operating activities	(225)	89
Interest received	(22)	(311)
Dividend received	—	(18)
Profit on sale of financial investments	—	(46)
Changes in working capital:		
Decrease/(increase) in other receivables	12	68
(Decrease)/increase in other payables	13	(47)
Net cash outflow from operating activities	(222)	(265)
Cash flows from investing activities		
Interest received	22	311
Dividend received	—	18
Sale/(purchase) of financial investments	(497)	322
Amounts owed by subsidiary undertaking	(1,453)	(217)
Net cash (outflow)/inflow from investing activities	(1,928)	434
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	(2,150)	169
Cash, cash equivalents and bank overdrafts at beginning of year	3,720	3,551
Cash, cash equivalents and bank overdrafts at end of year	1,570	3,720

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

Statements of changes in shareholders' equity
Year ended 31 December 2009

Group	Ordinary share capital £'000	Preference share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2008	741	—	6,261	62	7,064
Loss for the year	—	—	—	(48)	(48)
At 31 December 2008	741	—	6,261	14	7,016
At 1 January 2009	741	—	6,261	14	7,016
Profit for the year	—	—	—	724	724
At 31 December 2009	**741**	**—**	**6,261**	**738**	**7,740**

Company	Ordinary share capital £'000	Preference share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2008	741	—	6,261	70	7,072
Profit for the year	—	—	—	86	86
At 31 December 2008	741	—	6,261	156	7,158
At 1 January 2009	741	—	6,261	156	7,158
Loss for the year	—	—	—	(164)	(164)
At 31 December 2009	**741**	**—**	**6,261**	**(8)**	**6,994**

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

Notes to the financial statements
Year ended 31 December 2009

1. General information
The Company is a public limited company which is listed on the AIM and incorporated and domiciled in the UK.

2. 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. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation
The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), incorporating International Financial Reporting Interpretations Committee ("IFRIC") interpretations endorsed by the European Union ("EU") and with those parts of the Companies Act 2006, applicable to companies reporting under IFRS.

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 members. Accounting information in respect of syndicate participations is provided by the syndicate managing agents and is reported upon by the syndicate auditors.

Going concern
The Group and Company have net assets at the balance sheet date of £7,740,000 and £6,994,000 respectively.

The Company's subsidiaries participate as underwriting members at Lloyd's on the 2007, 2008 and 2009 accounts, and they have continued this participation since the year end on the 2010 year of account. This underwriting is supported by funds at Lloyd's totalling £4,088,000 (2008: £2,258,000).

The Directors have a reasonable expectation that the Group and the Company has adequate resources to meet its underwriting and other operational obligations for the foreseeable future. Accordingly they continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

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:

- IFRS 1 "First-time Adoption of International Financial Reporting Standards" (Amended)
- IFRS 2 "Share-based Payment" (Amended)
- IFRS 3 "Business Combinations" (Revised)
- IFRS 9 "Financial Instruments"
- IAS 24 "Related Party Disclosures" (Revised)
- IAS 27 "Consolidated and Separate Financial Statements" (Amended)
- IAS 32 "Financial Instruments: Presentation" (Amended)
- IAS 39 "Financial Instruments: Recognition and Measurement" (Amended)
- IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (Amended)
- IFRIC 17 "Distribution of Non-cash Assets to Owners"
- IFRIC 18 "Transfers of Assets from Customers"
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

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, Hampden Corporate Member Limited and Nameco (No.365) Limited for the year ended 31 December 2009 and the results of Nameco (No.605) Limited for the eleven months ended 31 December 2009.

The Financial Statements of Hampden Corporate Member Limited, Nameco (No. 365) Limited and Nameco (No605) Limited are prepared for the year ended 31 December 2009. 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.

Intercompany 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 408 of the Companies Act 2006. The loss after tax for the period of the Parent Company was £164,000 (2008: profit of £86,000).

2. Accounting policies (continued)

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.

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 syndicate's 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.

Notes to the financial statements
Continued
Year ended 31 December 2009

2. Accounting policies (continued)
Underwriting (continued)
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.

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 the 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.

2. Accounting policies (continued)

Underwriting (continued)

Investment in subsidiary (continued)

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.

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 profits will be available against which the temporary differences can be utilised.

3. 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 participate 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.

Notes to the financial statements
Continued
Year ended 31 December 2009

3. Risk management (continued)

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 and fund managers. 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 short term deposits. The Group does not use derivative instruments to manage either its interest rate risk and, as such, no hedge accounting is applied.

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 subsidiaries are 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.

4. 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; and

— other corporate activities.

Year ended 31 December 2009	**Syndicate participation £'000**	**Investment management £'000**	**Other corporate activities £'000**	**Total £'000**
Net earned premium	6,965	—	—	6,965
Net investment income	228	147	—	375
Other underwriting income	24	—	—	24
Other income	—	—	337	337
Net insurance claims and loss adjustment expenses	(3,651)	—	—	(3,651)
Expenses incurred in insurance activities	(2,513)	—	—	(2,513)
Amortisation of syndicate capacity	—	—	(217)	(217)
Other operating expenses	(57)	—	(278)	(335)
Results of operating activities	996	147	(158)	985

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)

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.

5. Insurance liabilities and reinsurance balances

Movement in claims outstanding

	2009		
	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
At 1 January 2009	2,879	678	2,201
Increase in reserves arising from acquisition of subsidiary undertakings	4,353	915	3,438
Movement of reserves	1,457	170	1,287
Net exchange differences and changes in syndicate participation	(1,388)	(182)	(1,206)
At 31 December 2009	7,301	1,581	5,720

Movement in unearned premium

	2009		
	Gross £'000	Reinsurance £'000	Net £'000
At 1 January 2008	—	—	—
Increase in reserves arising from acquisition of subsidiary undertakings	159	16	143
Movement of reserves	1,982	218	1,764
Net exchange differences and changes in syndicate participation	225	32	193
At 31 December 2008	2,366	266	2,100
At 1 January 2009	2,366	266	2,100
Increase in reserves arising from acquisition of subsidiary undertakings	1,223	121	1,102
Movement in premiums earned in the year	8	116	(108)
Net exchange differences and changes in syndicate participation	(195)	(154)	(41)
At 31 December 2009	3,402	349	3,053

Assumptions, changes in assumptions and sensitivity

As described in Note 3 the majority of the risks to the Group's future cash flows arise from subsidiaries, 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 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; and

— the funds at Lloyd's ratio will not change.

There have been no changes in assumptions in 2009.

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

— a 10% increase/decrease in the managing agent's calculation of gross claims reserves will decrease/increase the Group's pre-tax profits by £730,000 (2008: £288,000);

— a 10% increase/decrease in the managing agent's calculation of net claims reserves will decrease/increase the Group's pre-tax profits by £572,000 (2008: £220,000); and

— a 10% increase/decrease in the run off year net claims reserves will decrease/increase the Group's pre-tax profits by £3,000 (2008: £4,000).

Notes to the financial statements
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Year ended 31 December 2009

5. 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 2007 and prior are in relation to Nameco (No. 365) Limited and Nameco (No. 605) only. The figures for 2008 and 2009 are in relation to Nameco (No. 365) Limited, Nameco (No.605) Limited and Hampden Corporate Member Limited.

2009

Gross claims as percentage of gross earned premium

Year of account	2007 %	2008 %	**2009 %**
12 months	52.4	76.0	**48.3**
24 months	58.7	66.7	—
36 months	52.6	—	—

Net claims as a percentage of net earned premium

Year of account	2007 %	2008 %	**2009 %**
12 months	57.1	74.6	**52.9**
24 months	59.4	65.6	—
36 months	43.0	—	—

2008

Gross claims as percentage 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 percentage 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	—	—

6. Net investment income

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Investment income at fair value through income statement	**179**	67
Realised gains on financial investments at fair value through income statement	**169**	92
Unrealised gains/(losses) on financial investments at fair value through income statement	**88**	(17)
Investment management expenses	**(108)**	(48)
Bank interest	**47**	264
Net investment income	**375**	358

7. Operating profit/(loss) before tax

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Operating profit/(loss) before tax is stated after charging:		
Directors' remuneration	65	74
Amortisation of intangible assets	217	150
Auditors' remuneration:		
– audit of the Parent Company and Group Financial Statements	31	12
– audit of subsidiary company Financial Statements	3	2
– services relating to taxation	5	2
– other services pursuant to legislation	—	15

The Group has no employees.

Directors' remuneration	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Sir Michael Oliver	20,000	22,872
Andrew Leslie	15,000	17,154
Jeremy Evans	15,000	17,154
Michael Cunningham	15,000	17,154
Total	65,000	74,334

Directors' remuneration comprises only Directors' fees. The Directors derive no other benefits, pension contributions or incentives from the Group. At 31 December 2009 no share options were held by the Directors (2008: none).

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

8. Income tax expense

(a) Analysis of tax charge in the year/period

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Current tax:		
– current year	82	(24)
– prior year	(5)	(3)
– foreign tax paid	10	—
	87	(27)
Deferred tax:		
– current year	177	(8)
– prior year	(3)	(2)
	174	(10)
Tax on profit/(loss) on ordinary activities	261	(37)

Notes to the financial statements
Continued
Year ended 31 December 2009

8. Income tax expense (continued)

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

Tax for the year is lower than (2008: lower than) the standard rate of corporation tax in the UK of 28% (2008: 21%).

The differences are explained below:

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Profit/(loss) on ordinary activities before tax	985	(85)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008: 21%)	276	(18)
Prior year adjustments	(8)	(5)
Change in deferred tax rate	58	—
Permanent disallowances	—	3
Dividend income not subject to tax	(5)	(4)
Timing differences on the sale of shares	—	(12)
Negative goodwill not subject to tax	(58)	(5)
Fair value adjustment not subject to tax	—	2
Other	(2)	2
Tax charge/(credit) for the year	261	(37)

The results of the Group's participation on the 2007, 2008 and 2009 years of account and the calendar year movement on 2006 and prior run offs will not be assessed to tax until the years ended 2010, 2011 and 2012 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.

9. 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 2009	Year ended 31 December 2008
Profit/(loss) for the period	£724,000	£(48,000)
Weighted average number of shares in issue	7,413,376	7,413,376
Basic and diluted earnings/(loss) per share	9.77p	(0.65)p

10. Dividends

No equity dividends were proposed, declared or paid in the year (2008: £nil).

11. Intangible assets

	Syndicate capacity £'000
Cost	
At 1 January 2009	1,081
Additions	67
Disposals	(4)
Acquired with subsidiary undertaking	505
At 31 December 2009	1,649
Amortisation	
At 1 January 2009	161
Charge for the year	217
Disposals	(1)
Acquired with subsidiary undertaking	56
At 31 December 2009	433
Net book value	
As at 31 December 2009	1,216
As at 31 December 2008	920

12. Financial investments

Group	**31 December 2009 £'000**	31 December 2008 £'000
Shares and other variable yield securities	583	124
Debt securities and other fixed income securities	5,413	1,683
Participation in investment pools	201	—
Loans guaranteed by mortgage	37	—
Holdings in collective investment schemes	—	23
Deposits with credit institutions	119	32
Funds held at Lloyd's	4,088	2,258
Other	—	11
Total – market value	10,441	4,131
Total – cost	10,205	4,155
Listed investments included in the above	6,194	1,830

Company	**31 December 2009 £'000**	31 December 2008 £'000
Investment in subsidiary undertakings	656	159
Total – market value	656	159
Total – cost	656	159
Listed investments included in the above	—	—

Notes to the financial statements
Continued
Year ended 31 December 2009

13. Other receivables

Group	31 December 2009 £'000	31 December 2008 £'000
Arising out of direct insurance operations	1,741	1,065
Arising out of reinsurance operations	2,044	1,105
Other debtors	1,125	387
	4,910	2,557

Company	31 December 2009 £'000	31 December 2008 £'000
Amounts owed by subsidiary undertakings	4,772	3,257
Other debtors	—	3
Prepayments	28	38
	4,800	3,298

All other receivables are due within one year.

14. Other payables

Group	31 December 2009 £'000	31 December 2008 £'000
Arising out of direct insurance operations	410	135
Arising out of reinsurance operations	786	436
Other creditors	1,019	232
	2,215	803

Company	31 December 2009 £'000	31 December 2008 £'000
Other creditors	2	2
Accruals and deferred income	30	17
	32	19

All other payables are due within one year.

15. Deferred income tax

Deferred income tax is calculated in full on temporary differences using a tax rate of 28% (2008: 21%). The movement on the deferred tax account is shown below:

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
At 1 January	5	—	—	—
Acquisition of subsidiary undertaking	312	15	—	—
Prior period adjustment	(3)	(2)	—	—
Charge for the year	177	(8)	—	—
At 31 December	491	5	—	—

15. Deferred income tax (continued)

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 2008	—	—	—
Prior period adjustment	(2)	—	(2)
Credit for the year	(8)	(6)	(14)
At 31 December 2008	(10)	(6)	(16)
At 1 January 2009	(10)	(6)	(16)
Credit for the year	(2)	6	4
At 31 December 2009	(12)	—	(12)

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	Valuation of capacity £'000	Timing differences on underwriting results £'000	Total £'000
At 1 January 2008	—	—	—
Acquisition of subsidiary undertaking	—	15	15
Credit for the year	—	6	6
At 31 December 2008	—	21	21
At 1 January 2009	—	21	21
Prior period adjustment	—	(3)	(3)
Acquisition of subsidiary undertaking	142	170	312
Charge for the year	(21)	194	173
At 31 December 2009	121	382	503

16. 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 2009	2,950	50	3,000
29,500,000 ordinary shares of 10p each and 100,000 preference shares of 50p each at 31 December 2009	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 2009	741	6,261	7,002
7,413,376 ordinary shares of 10p each and share premium at 31 December 2009	741	6,261	7,002

Notes to the financial statements Continued

Year ended 31 December 2009

17. Retained earnings

Group	31 December 2009 £'000	31 December 2008 £'000
At 1 January	14	62
Profit/(loss) attributable to equity shareholders	724	(48)
At 31 December	738	14

Company	31 December 2009 £'000	31 December 2008 £'000
At 1 January	156	70
(Loss)/profit attributable to equity shareholders	(164)	86
At 31 December	(8)	156

18. Acquisition of Nameco (No. 605) Limited

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 incorporated in England and Wales and is a corporate member of Lloyd's.

The acquisition has been accounted for using the acquisition 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 £703,000. Negative goodwill of £206,000 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	18	433	451
Financial investments	3,426	—	3,426
Reinsurance share of insurance liabilities	1,036	—	1,036
Other receivables, including insurance receivables	1,785	—	1,785
Prepayments and accrued income	313	—	313
Cash and cash equivalents	517	—	517
Insurance liabilities	(5,575)	—	(5,575)
Other payables, including insurance payables	(834)	—	(834)
Accruals and deferred income	(85)	—	(85)
Current income tax liabilities	(20)	—	(20)
Deferred income tax liabilities	(169)	(142)	(311)
Net assets acquired	412	291	703
Satisfied by:			
Cash and cash equivalents	497	—	497
Negative goodwill	85	(291)	(206)

The profit after tax of Nameco (No. 605) Limited for the period since the acquisition date to 31 December 2009 is £284,000.

The Group net earned premium and profit for the year would have been £8,019,000 and £767,000 respectively if the acquisition date of Nameco (No. 605) Limited had been 1 January 2009.

19. Related party transactions

The table set out below illustrates the Parent Company intercompany balances at the period end:

Company	31 December 2009 £'000	31 December 2008 £'000
Balances due from Group companies at the period end:		
Hampden Corporate Member Limited	3,682	3,132
Nameco (No. 365) Limited	133	125
Nameco (No. 605) Limited	957	—
Total	4,772	3,257

Hampden Underwriting plc has provided an intercompany loan to Hampden Corporate Member Limited, a 100% subsidiary of the Company. The amount outstanding as at 31 December 2009 is £3,682,000 (2008: £3,132,000). 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 2009 is £133,000 (2008: £125,000). 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 Nameco (No.365) Limited to meet its liabilities as they fall due.

Hampden Underwriting plc has provided an intercompany loan to Nameco (No.605) Limited, a 100% subsidiary of the Company. The amount outstanding as at 31 December 2009 is £957,000 (2008: £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.605) 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 (2008: £2,625). No fees have been paid by the Group in the period.

Hampden Corporate Member Limited, a 100% subsidiary of the Company, has entered into a member's agent 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 a 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 2009 will be £16,694 (2008: £15,250).

Nameco (No.365) Limited has entered into a management agreement with Nomina Plc and a members' agent agreement with Hampden Agencies Limited. Under the management agreement Nameco (No.365) Limited pays Nomina Plc £2,625 (2008: £2,625) for management, administration, financial, tax and accounting services. Under the members' agencies 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 fee payable for 2009 will be £4,802 (2008: £5,093).

Nameco (No.605) Limited has entered into a management agreement with Nomina Plc and a members' agency agreement with Hampden Agencies Limited. Under the management agreement Namco (No.605) Limited pays Nomina Plc £2,625 (2008: £nil) for management, administration, financial, tax and accountancy services. Under the members' agency agreement Namco (No.605) 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 2009 will be £10,006 (2008: £nil).

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 £35,000 (2008: £36,000) were charged to Hampden Underwriting plc. Hampden Holdings Limited has a controlling interest in both Hampden Legal Plc and Hampden Capital Plc.

The Group has entered into a reinsurance arrangement with an insurance company owned by Hampden Capital Plc. The total premium paid during the year was £35,239 (2008: £7,775). The reinsurance arrangement was at market rates. Hampden Capital Plc is the holding company of Nomina Plc.

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Year ended 31 December 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 2007 £	2008 £	**2009 £**
218	Equity Syndicates Management Limited	40,792	42,851	43,851
318	Beaufort Underwriting Agency Limited	22,826	22,826	—
510	RJ Kiln & Co. Limited	45,000	38,572	38,572
557	RJ Kiln & Co. Limited	62,746	175,000	175,000
609	Atrium Underwriters Limited	45,000	41,718	41,718
623	Beazley Furlonge Limited	42,673	37,960	37,960
958	Omega Underwriting Agency Limited	55,500	55,500	55,500
1200	Heritage Managing Agency Limited	21,445	21,507	21,507
2121	Argenta Syndicate Management Limited	—	349,999	404,441
2791	Managing Agency Partners Limited	49,409	63,953	62,953
6103	Managing Agency Partners Limited	110,000	110,000	282,028
6104	Hiscox Syndictes Limited	—	200,000	200,000
6106	AMLIN Underwriting Limited	—	—	104,334
7200	Members' Agents Pooling Arrangement	226,535	209,913	194,532
7201	Members' Agents Pooling Arrangement	1,201,908	1,113,142	1,028,781
7202	Members' Agents Pooling Arrangement	432,182	402,413	373,051
7203	Members' Agents Pooling Arrangement	42,252	38,906	35,673
7208	Members' Agents Pooling Arrangement	—	5,000,000	4,416,400
7217	Members' Agents Pooling Arrangement	—	—	59,320
Total		2,398,268	7,924,260	7,575,621

For the 2007 year of account, the participation is through Nameco (No. 365) Limited and Nameco (No. 605) 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 2009			31 December 2008		
	Group £'000	**Syndicate £'000**	**Total £'000**	Group £'000	Syndicate £'000	Total £'000
Assets						
Intangible assets	1,216	—	1,216	920	—	920
Financial investments	4,087	6,354	10,441	2,258	1,873	4,131
Reinsurance share of insurance liabilities:						
– reinsurers' share of outstanding claims	—	1,581	1,581	—	678	678
– reinsurers' share of unearned premiums	—	349	349	—	266	266
Other receivables, including insurance receivables	69	4,841	4,910	82	2,475	2,557
Prepayments and accrued income	34	839	873	41	571	612
Deferred income tax assets	12	—	12	—	16	16
Cash and cash equivalents	1,776	335	2,111	3,773	158	3,931
Total assets	7,194	14,299	21,493	7,074	6,037	13,111
Liabilities						
Insurance liabilities:						
– claims outstanding	—	7,301	7,301	—	2,879	2,879
– unearned premiums	—	3,402	3,402	—	2,366	2,366
Other payables, including insurance payables	120	2,095	2,215	48	755	803
Accruals and deferred income	233	(7)	226	63	(37)	26
Current income tax liabilities	106	—	106	—	—	—
Deferred income tax liabilities	503	—	503	21	—	21
Total liabilities	962	12,791	13,753	132	5,963	6,095
Shareholders' equity						
Share capital	741	—	741	741	—	741
Share premium	6,261	—	6,261	6,261	—	6,261
Retained earnings	(770)	1,508	738	(60)	74	14
Total shareholders' equity	6,232	1,508	7,740	6,942	74	7,016
Total liabilities and shareholders' equity	7,194	14,299	21,493	7,074	6,037	13,111

Registered officers and advisers

Directors
Sir Michael Oliver (Non-executive Chairman)
John Andrew Leslie (Non-executive Director)
Jeremy Richard Holt Evans (Non-executive Director)
Harold Michael Clunie Cunningham (Non-executive Director)

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