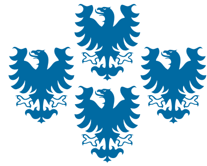
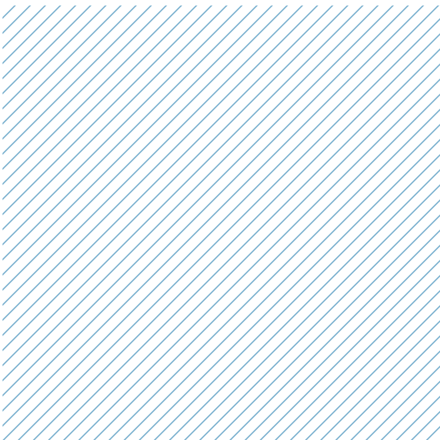


Hampden Underwriting plc

Annual report and financial statements 2010



Corporate statement

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

Highlights

- Group's third acquisition of a Lloyd's corporate member during the period
- Premium written during the period totalled £7.9m
- Net profit attributable to equity shareholders of £132,000
- Earnings per share of 1.78p
- Net assets increase to £7.9m
- Net assets per share of £1.06

Financial results

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Gross premium written	7,887	8,610
Profit before tax	128	985
Profit after tax	132	724
Earnings per share	1.78p	9.77p

Chairman's statement

As commented on by the Group's Lloyd's Advisers, Hampden Agencies in this report, a profit was achieved despite the year having been adversely affected by the widely reported losses emanating from the UK motor market coupled with the Chilean earthquake.

It is gratifying to be able to report that, as predicted when last year's half year result was announced, the year has ended satisfactorily with a full year profit, albeit smaller than last year's with a corresponding further increase in our net asset value. As commented on by the Group's Lloyd's Advisers, Hampden Agencies in this report, a profit was achieved despite the year having been adversely affected by the widely reported losses emanating from the UK motor market coupled with the Chilean earthquake.

2010 was nevertheless a frustrating year for the Company. Our share price remains extremely volatile with modest trades resulting in substantial swings in its fortunes. One way of addressing the problem is growth, with more shares in issue held by a broader shareholder base. Last year we pursued two opportunities which would have had a transformational effect on the size of the Company. Sadly both fell at the final fence much to the disappointment of the Board. Rest assured however, our appetite for growth remains undiminished and we continue to evaluate other opportunities as they arise.

The 2008 year was the first year the Company underwrote in its own right and, with its profitable outcome together with the substantial distributable reserves established through our purchase of corporate members underwriting in prior years, we had hoped to herald the payment of our first dividend. However, the first quarter of 2011 is expected to be the worst in history for catastrophe losses; namely the tragic events in New Zealand, Australia and, of course, Japan. It is still unclear as to the likely impact of these losses on our portfolio: in particular the 2010 account. Your Board debated long and hard but finally came to the conclusion that in view of this uncertainty, it would be imprudent to pay a dividend now. It was not a decision taken lightly and, as and when the market gets a better feel for the likely impact of these catastrophic events, it is certainly one that we will revisit.

We share the view of Hampden Agencies that the loss of investment return, combined with the improvements in risk management both centrally by Lloyd's and by Managing Agents, will enable the syndicates we support to successfully manage this difficult phase of the cycle. Losses inevitably give rise to opportunities in the insurance industry and we look forward to taking full advantage of these when they arise.

Sir Michael Oliver
Non-executive Chairman
20 May 2011

Summary of Chairman's statement

- Our share price remains extremely volatile with modest trades resulting in substantial swings in its fortunes.
- The first quarter of 2011 is expected to be the worst in history for catastrophe losses; it is still unclear as to the likely impact of these losses on our portfolio.
- In view of this uncertainty, it would be imprudent to pay a dividend now.

Lloyd's Adviser's report

The insurance and reinsurance industry began 2011 in robust financial health with the asset side of balance sheets having been repaired following the financial losses sustained in 2008 and the first quarter of 2009. Both insurance and reinsurance capital bases at year end 2010 were at record highs.

Summary of Lloyd's Adviser's report

- At year end 2010 insurance industry capital was at a record high. In the United States, the policyholders' surplus (a measure of supply of capacity) increased by 9% to $556.9bn at year end 2010 from $511.4bn a year earlier.
- In 2010, Lloyd's combined ratio was the second best in its peer group at 93%, with Lloyd's average combined ratio of 87.4% over five years.
- For 2011 an additional bespoke participation was added on Ark Syndicate 6105 which provides exposure to composite classes, excluding casualty reinsurance.
- Hampden Underwriting's portfolio for 2011 provides a good spread of business across managing agents and classes of business.

Market outlook

The insurance and reinsurance industry began 2011 in robust financial health with the asset side of balance sheets having been repaired following the financial losses sustained in 2008 and the first quarter of 2009. Both insurance and reinsurance capital bases at year end 2010 were at record highs. In the United States, which remains Lloyd's principal market being responsible for around 60% of premiums underwritten, the policyholders' surplus (a measure of supply of capacity) increased by 9% to $556.9bn at year end 2010 from $511.4bn a year earlier. Similarly, global reinsurance capital reached an all time high at 31 December 2010 increasing by 17% to $470bn from $402bn a year earlier, according to Aon Benfield Analytics.

The insurance pricing cycle is a classic supply-led cycle with demand playing a more limited role other than in catastrophe exposed reinsurance lines. Demand has been impacted by economic recession and low growth recoveries in developed markets with net written insurance premiums in the United States falling by 6.9% between 2007 and 2009, the first three-year decline since 1930 to 1933. However, demand has now begun to recover with a rise in net written premiums of 0.9% in 2010.

Currently, most lines of business remain challenging with pure underwriting margins being squeezed and capital providers being dependent on reserve releases and investment returns to generate their return on equity. Excess capital remains a major obstacle to a sustainable market turn.

We now expect that turn to be closer with the first quarter of 2011 going down in history as the worst quarter ever for the global insurance and reinsurance markets. Aon Benfield estimates the reinsurance market is expected to face a bill of $52.6bn which compares with $40.6bn for the whole of 2010. Of these losses, the most notable were the New Zealand earthquake in February, estimated to cost $10bn, and the Japanese earthquake on 11 March where estimated insured losses range from $25bn to $45bn, albeit 20% or less than the total economic losses of $200bn–$300bn. The Japanese earthquake is likely to be the most expensive insured earthquake loss in history being larger than the 1994 Northridge earthquake in California, which in 2010 dollars cost insured losses of $22.5bn.

Lloyd's Adviser's report continued

Among the largest rate rises being seen are in UK private motor where the market moved into loss in 2009 and 2010 but has now responded with the AA reporting record rate increases in the 12 months to end of March 2011 of 40%.

Market outlook continued

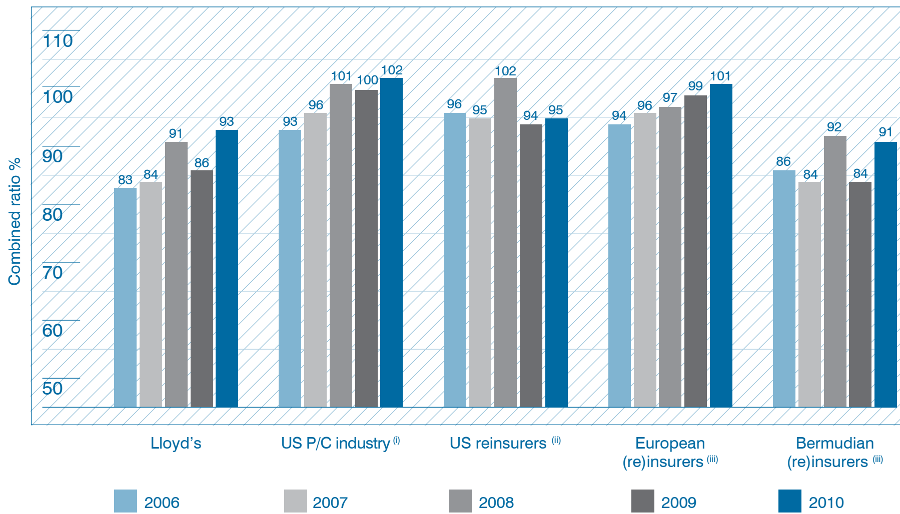
Loss affected international treaty reinsurance programmes have, or are expected to pay, increased rates at renewal with rises being seen of up to 50% on Japanese earthquake only cover. In the United States, at the June and July renewals this year, we expect rate increases of up to 10% on cat exposed treaty reinsurance compared with the 6% to 10% reductions seen at 1 January, using Guy Carpenter numbers. The expected rate increases are a combination of increased demand and a higher cost of capital due to version 11 of the RMS catastrophe model for US wind risks which better reflects the impact of Hurricane Ike in 2008 on modelled loss exposures. Encouragingly, the market for direct and facultative property covers in the United States, where Lloyd's is a major player, has begun to recover with Willis reporting rate increases of up to 5%.

Among the largest rate rises being seen are in UK private motor where the market moved into loss in 2009 and 2010 but has now responded with the AA reporting record rate increases in the 12 months to end of March 2011 of 40%.

We are now in the challenging phase of the insurance cycle with reserve releases expected to reduce, no sign of any improvement in the low investment returns and competitive market conditions in many classes of business. In the face of challenging market conditions, the Lloyd's market has proved resilient and, in particular, the portfolio of syndicates on which Hampden Underwriting participates.

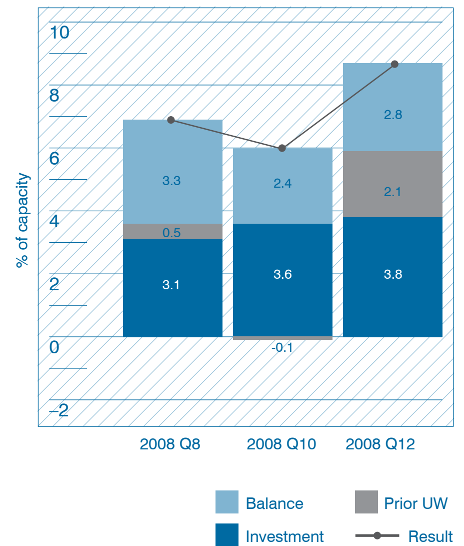
We remain of the view that the long term loss of investment return, combined with the improvements in risk management both centrally by Lloyd's and by managing agents, will enable the syndicates supported by Hampden Underwriting to successfully manage this phase of the cycle. In the short term, there are undoubtedly opportunities to charge higher rates on loss affected business, although it is not yet clear how sustainable rate rises will be given the level of excess capital in the industry. Against this backdrop, we remain patient waiting for a more significant change in the pricing cycle and to be able to take advantage of the more broad-based opportunities which will undoubtedly arise.

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



Source: Lloyd's Annual Accounts, i) Insurance Information Institute (estimate 2010), ii) Reinsurance Association of America, iii) Company data (8 European companies, 17 Bermudian companies)

Sources of 2008 account result



Lloyd's competitive position remains resilient

Lloyd's operating results continue to be excellent using both the three-year and annual reporting measures. The 2008 three-year account result announced on 30 March 2011 was a 10.3% return on capacity despite catastrophe losses from Hurricane Ike and significant underwriting losses from UK motor. Lloyd's annually accounted results for 2010 totalled a pre-tax profit of £2,195m, despite claims from the Chilean earthquake, the first New Zealand earthquake, Australian floods and the Deepwater Horizon oil rig in the Gulf of Mexico.

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 2010, Lloyd's combined ratio was the second best in its peer group at 93%, with Lloyd's average combined ratio of 87.4% being the same as its nearest competitor, Bermudian reinsurers, over the period 2006 to 2010.

Hampden Underwriting's performance

Hampden Underwriting's first underwriting year through the Hampden Corporate Member is the 2008 Account with underwriting capacity of £5.1m and a further £3.6m from the three Nameco acquisitions (Nameco 321, Nameco 365 and Nameco 605). Hampden Underwriting has also added four smaller bespoke 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. For 2011 an additional bespoke participation was added on Ark Syndicate 6105 which provides exposure to composite classes, excluding casualty reinsurance.

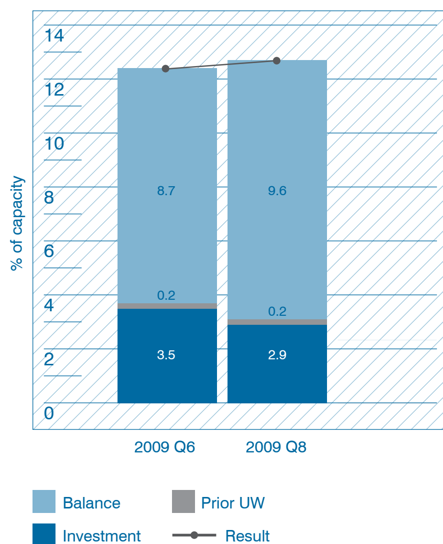
2008 account

Hampden Underwriting's portfolio result including capacity acquired through the Nameco purchases is a profit of 8.7% of capacity before Members' fees. This result is a satisfactory performance given that 2008 marked the third worst year on record for insured catastrophe losses and the exposure to UK motor losses, the latter being the main reason for the underperformance by 1.6 percentage points compared with the Lloyd's average. In UK motor there was an escalation in the frequency and severity of bodily injury claims. Here, claims costs have exceeded previous estimates due in part to recession based fraudulent claims but mainly because of the growth of accident management companies which have added to the costs of settling non-fault claims.

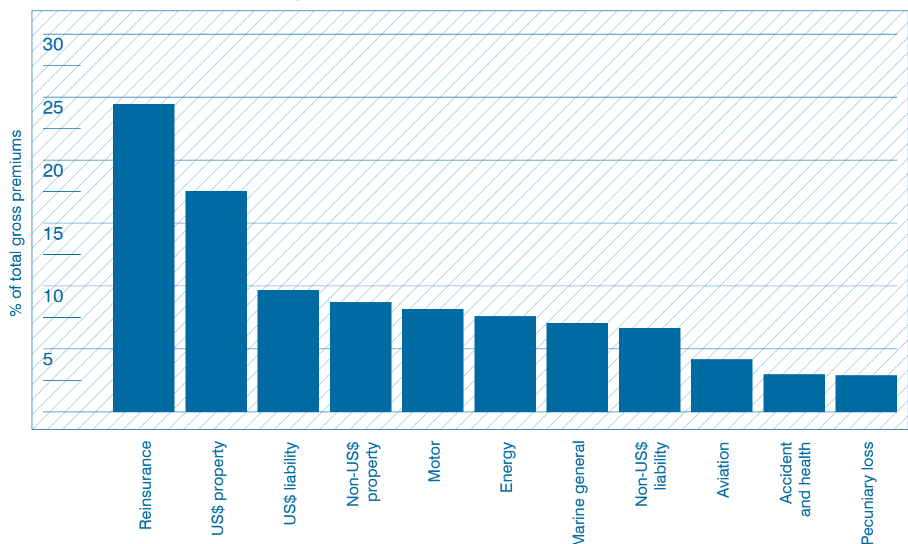
The chart above shows the breakdown of the 2008 Account result into the main constituent parts split between the prior year reserve movements, investment return and the balance which is primarily attributable to the pure 2008 underwriting result. The movement in the forecasts for the portfolio can be seen over the course of the year with the main reason for the improvement being the contribution from reserve releases.

Lloyd's Adviser's report continued

Sources of 2009 account estimated result



Portfolio class of business split for 2011 account



Source: 2011 Syndicate Business Forecasts

2009 account

US catastrophe reinsurance exposure came off risk at the end of June 2010 and insurance exposure on 31 December 2010. The non-catastrophe classes remain immature where rating conditions are more challenging and UK motor remains in loss. However, this account is benefiting from the benign calendar year for catastrophe losses and, despite most of the losses from the Chilean earthquake and the Deepwater Horizon rig explosion falling back to 2009, early estimates for the 2009 Account are encouraging with Hampden Underwriting's portfolio averaging a mid-point profit of 12.7% of capacity compared with the Lloyd's Market Average of 9.2% before Members' fees, a healthy outperformance of the Lloyd's average of 3.5 percentage points.

The chart above shows the breakdown of the 2009 Account estimated result into the main constituent parts. At the current stage of development, the majority of syndicates have not estimated any potential releases from prior year reserves. This part of the forecast will develop during 2011. The increase in the average profit forecast can be attributed primarily to improved pure underwriting profits. 2009 was a year without a major catastrophe in the US and, as the majority of the catastrophe reinsurance book is focused on this territory, reinsurers are expecting to produce good profits.

2010 account

The 2010 Account has already been affected by a number of natural catastrophes occurring both in calendar year 2010 and in 2011. Significant losses include the Chilean earthquake and Deepwater Horizon energy loss (both also affected 2009), two New Zealand earthquakes, Australian floods, the Gryphon oil and gas installation in the North Sea, April tornados in the United States and the largest so far being the Japanese earthquake and tsunami.

Given the number of major losses impacting the 2010 Account and forecasts of an active 2011 hurricane season to which some insurance business remains exposed, we expect the 2010 Account to move into loss, although at this stage, given the Account is still on risk and the Japanese earthquake loss is subject to material uncertainty, we are not providing a formal estimate.

Top 10 syndicate holdings

Syndicate	Managing agent	2011 Syndicate capacity £'000	2011 Group portfolio capacity £'000	2011 Group portfolio % of total	Class
2791	Managing Agency Partners Ltd	504,896.1	1,514.8	17.3	Reinsurance
510	R. J. Kiln & Co. Ltd	923,222.4	1,383.4	15.8	US$ Property
623	Beazley Furlonge Ltd	215,214.7	1,037.3	11.8	US$ Non-marine Liability
609	Atrium Underwriters Ltd	274,810.1	682.5	7.8	Energy
33	Hiscox Syndicates Ltd	900,000.6	636.4	7.3	US$ Property
958	Omega Underwriting Agents Ltd	279,999.7	629.7	7.2	Reinsurance
218	Equity Syndicate Management Ltd	486,248.9	587.9	6.7	Motor
386	QBE Underwriting Ltd	364,999.8	304.1	3.5	Non-US$ Non-marine liability
2121	Argenta Syndicate Management Ltd	200,000.0	273.9	3.1	US$ Property
557	R. J. Kiln & Co. Ltd	60,000.5	261.0	3.0	Reinsurance
Subtotal			**7,311.0**	**83.5**	
Total			**8,760.8**	**100.0**	

The two largest classes of business are reinsurance and US$ property insurance. As rating levels continue to be more attractive in reinsurance than insurance, the weighting of reinsurance remains higher than insurance. These classes include business exposed to catastrophes and therefore the next two largest classes, being US casualty and motor, provide balance to these exposures.

Earthquake losses typically deteriorate due to latent damage as previously undamaged buildings become unsafe; an added uncertainty is the exposure to Contingent Business Interruption losses from non-Japanese businesses adversely affected by interruptions in the supply of components and finished products. To put the Japanese earthquake loss into context we expect it to settle within the modelled Realistic Disaster Scenario for a Tokyo earthquake (the modelled loss for 2010 was $53bn excluding Contingent Business Interruption) where there is a greater concentration of exposures; the Hampden Underwriting Business Plan RDS in 2010 for a Tokyo earthquake was 9.6% of capacity, net of reinsurance. During 2010 margins remained under pressure in the non-catastrophe exposed accounts and UK motor is again expected to be in loss. A first full set of early estimates from Managing Agents will be available at the end of May as at Quarter 5 on the 2010 Account.

2011 account

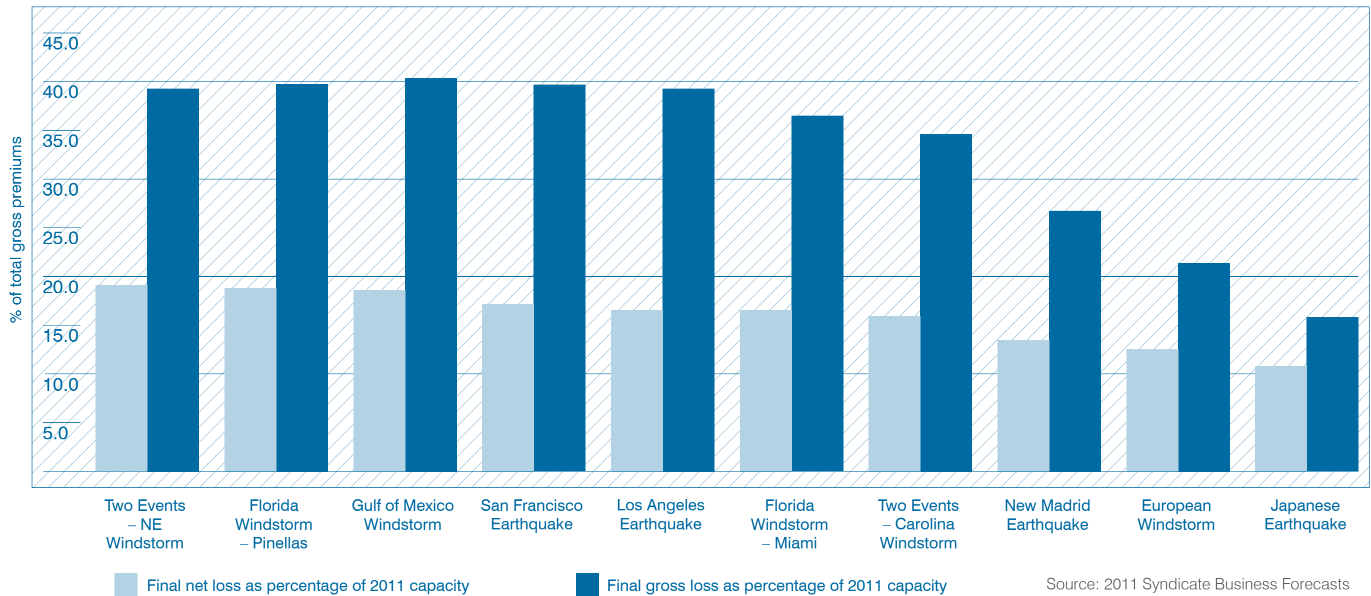
Hampden Underwriting's portfolio for 2011 provides a good spread of business across managing agents and classes of business with motor and liability providing a balance to the catastrophe exposed reinsurance and property business, as well as contributing to lower capital requirements due to Lloyd's credits for diversification.

28.6% of the capacity is in the three syndicates rated A by Hampden Agencies Ltd ("HAL"), being Syndicates 386, 609 and 2791, with Syndicate 2791 being the largest holding at 17.3% of capacity. 56.4% of the portfolio is in syndicates rated B, including the Kiln Syndicate 510 which makes up 15.8% of the portfolio and has a good track record of outperforming the market. 15.0% 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.

Lloyd's Adviser's report continued

Portfolio realistic disaster scenario aggregates for 2011 account
Top 10 net exposures gross and net of reinsurance



Source: 2011 Syndicate Business Forecasts

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 ("RDS"). HAL considers risk in the context of potential return and seeks to actively manage catastrophe exposure, dependent on market conditions.

Lloyd's first utilised RDS 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 2011 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 above shows the aggregated impact at portfolio level for Hampden Underwriting for the ten largest net exposures (after reinsurance) to events modelled for 2011. 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 two event scenario at 19.2% of capacity net. The next highest is a Florida windstorm at 18.9% of capacity net. Peak RDS exposures have reduced for 2011 compared to 2010 reflecting our expectation of further reductions in reinsurance rates entering 2011.

Directors

Sir James Michael Yorrick Oliver, aged 70
(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.

John Andrew Leslie, aged 66
(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 53
(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 63
(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
Year ended 31 December 2010

The Directors present their report and the audited Group Financial Statements for the year ended 31 December 2010.

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 is 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 2010 is shown in the Consolidated Statement of Comprehensive Income. The Group profit for the year after taxation was £132,000 (2009: £724,000).

The Directors are not recommending the payment of a dividend to the ordinary shareholders (2009: £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 shares of 10p each	
Name	31 December 2009	31 December 2010
Sir Michael Oliver	—	10,000
Andrew Leslie	—	20,000
Jeremy Evans	45,002	51,002
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. Jeremy Evans 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	2010	2009
Operating profit before tax	£128,000	£985,000
Profit attributable to equity shareholders	£132,000	£724,000
Earnings per share (p)	1.78p	9.77p
Return on equity (%)	1.7%	9.4%

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.

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 2010 is none.

Substantial shareholdings

The substantial shareholders shown below were as at 4 May 2011.

	Number of shares	% holdings
Adam & Company (Nominees) Limited	1,113,500	15.02
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; 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 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 20 May 2011.

Jeremy Evans
Non-executive Director

Corporate governance statement
Year ended 31 December 2010

The Directors recognise the importance of sound corporate governance and will, insofar 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	6	6	—	—
Andrew Leslie	6	6	2	2
Jeremy Evans	6	6	—	—
Michael Cunningham	6	6	2	2
Average attendance (%)		100		100

Subsidiary Board and committees
Jeremy Evans and Nomina plc are Directors of Hampden Corporate Member Limited, Nameco (No. 365) Limited, Nameco (No. 605) Limited and Nameco (No. 321) 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
Nameco (No. 321) 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
Nameco (No. 321) Limited	appointed 22 September 1999

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
Year ended 31 December 2010

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 auditor's report
to the members of Hampden Underwriting plc
Year ended 31 December 2010

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 2010 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statement of Cash Flows, the Consolidated and Parent Statement 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor
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 and express an opinion on 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 2010 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 auditor
20 May 2011

1 Westferry Circus
Canary Wharf
London E14 4HD

Consolidated statement of comprehensive income
Year ended 31 December 2010

	Note	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Gross premium written		7,887	8,610
Reinsurance premium ceded		(1,436)	(1,753)
Net premiums written		6,451	6,857
Change in unearned gross premium provision		462	(8)
Change in unearned reinsurance premium provision		(122)	116
	5	340	108
Net earned premium		6,791	6,965
Net investment income	6	368	375
Other underwriting income		4	24
Other income	18	116	337
		488	736
Revenue		7,279	7,701
Gross claims paid		(4,582)	(2,836)
Reinsurance share of gross claims paid		729	472
Claims paid, net of reinsurance		(3,853)	(2,364)
Change in provision for gross claims		(398)	(1,457)
Reinsurance share of change in provision for gross claims		58	170
Net change in provision for claims	5	(340)	(1,287)
Net insurance claims and loss adjustment expenses		(4,193)	(3,651)
Expenses incurred in insurance activities		(2,425)	(2,513)
Other operating expenses		(533)	(552)
Operating expenses		(2,958)	(3,065)
Operating profit before tax	7	128	985
Income tax credit/(expense)	8	4	(261)
Profit attributable to equity shareholders	17	132	724
Earnings per share attributable to equity shareholders			
Basic and diluted	9	1.78p	9.77p

The 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.

Consolidated statement of financial position

At 31 December 2010

Company number 05892671

	Note	31 December 2010 £'000	31 December 2009 £'000
Assets			
Intangible assets	11	1,274	1,216
Financial investments	12	13,841	10,441
Reinsurance share of insurance liabilities:			
– reinsurers' share of outstanding claims	5	2,592	1,581
– reinsurers' share of unearned premiums	5	425	349
Other receivables, including insurance receivables	13	6,039	4,910
Prepayments and accrued income		901	873
Deferred income tax assets	15	12	12
Cash and cash equivalents		3,320	2,111
Total assets		28,404	21,493
Liabilities			
Insurance liabilities:			
– claims outstanding	5	13,104	7,301
– unearned premiums	5	3,377	3,402
Other payables, including insurance payables	14	2,819	2,215
Accruals and deferred income		577	226
Current income tax liabilities		—	106
Deferred income tax liabilities	15	655	503
Total liabilities		20,532	13,753
Shareholders' equity			
Share capital	16	741	741
Share premium	16	6,261	6,261
Retained earnings	17	870	738
Total shareholders' equity		7,872	7,740
Total liabilities and shareholders' equity		28,404	21,493

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

Approved by the Board of Directors on 20 May 2011.

Michael Cunningham
Non-executive Director

Jeremy Evans
Non-executive Director

Parent Company statement of financial position

At 31 December 2010

Company number 05892671

	Note	31 December 2010 £'000	31 December 2009 £'000
Assets			
Financial investments	12	1,035	656
Other receivables	13	4,896	4,800
Cash and cash equivalents		968	1,570
Total assets		6,899	7,026
Liabilities			
Other payables	14	92	32
Current income tax liabilities		—	—
Total liabilities		92	32
Shareholders' equity			
Share capital	16	741	741
Share premium	16	6,261	6,261
Retained earnings	17	(195)	(8)
Total shareholders' equity		6,807	6,994
Total liabilities and shareholders' equity		6,899	7,026

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

Approved by the Board of Directors on 20 May 2011.

Michael Cunningham
Non-executive Director

Jeremy Evans
Non-executive Director

Consolidated statement of cash flows

Year ended 31 December 2010

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Cash flow from operating activities		
Results of operating activities	128	985
Interest received	(31)	(47)
Investment income	(315)	(179)
Income tax receipt	68	159
Recognition of negative goodwill	(116)	(206)
Profit on sale of intangible assets	—	(133)
Amortisation of intangible assets	246	217
Change in fair value of investments recognised in the statement of comprehensive income	(21)	(88)
Changes in working capital:		
Increase in other receivables	(1,157)	(2,616)
Increase in other payables	955	1,613
Net increase in technical provisions	4,691	4,472
Net cash inflow from operating activities	4,448	4,177
Cash flows from investing activities		
Interest received	31	47
Investment income	315	179
Purchase of intangible assets	(26)	(67)
Proceeds from disposal of intangible assets	—	135
Purchase of financial investments	(3,400)	(6,310)
Acquisition of subsidiary, net of cash acquired	(159)	19
Net cash outflow from investing activities	(3,239)	(5,997)
Cash flows from financing activities		
Net proceeds from issue of ordinary share capital	—	—
Net cash inflow from financing activities	—	—
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	1,209	(1,820)
Cash, cash equivalents and bank overdrafts at beginning of year	2,111	3,931
Cash, cash equivalents and bank overdrafts at end of year	3,320	2,111
Acquisition of subsidiary		
– cash or cash equivalent paid	(379)	(497)
– cash acquired	220	516
Acquisition of subsidiary, net of cash acquired	(159)	19

Details of other assets and liabilities acquired are shown in Note 18.

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

Parent Company statement of cash flows
Year ended 31 December 2010

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Cash flow from operating activities		
Results of operating activities	(257)	(225)
Interest received	(3)	(22)
Changes in working capital:		
Decrease in other receivables	73	12
Increase in other payables	60	13
Net cash outflow from operating activities	(127)	(222)
Cash flows from investing activities		
Interest received	3	22
Sale/(purchase) of financial investments	(379)	(497)
Amounts owed by subsidiary undertaking	(99)	(1,453)
Net cash outflow from investing activities	(475)	(1,928)
Net decrease in cash, cash equivalents and bank overdrafts	(602)	(2,150)
Cash, cash equivalents and bank overdrafts at beginning of year	1,570	3,720
Cash, cash equivalents and bank overdrafts at end of year	968	1,570

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

Statement of changes in shareholders' equity
Year ended 31 December 2010

Consolidated	Ordinary share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
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
At 1 January 2010	741	6,261	738	7,740
Profit for the year	—	—	132	132
At 31 December 2010	741	6,261	870	7,872

Company	Ordinary share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
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
At 1 January 2010	741	6,261	(8)	6,994
Loss for the year	—	—	(187)	(187)
At 31 December 2010	741	6,261	(195)	6,807

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

Notes to the financial statements
Year ended 31 December 2010

1. General information
The Company is a public limited company which is listed on the Alternative Investment Market ("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 £7,872,000 and £6,807,000 respectively.

The Company's subsidiaries participate as underwriting members at Lloyd's on the 2008, 2009 and 2010 accounts, and they have continued this participation since the year end on the 2011 year of account. This underwriting is supported by Fund's at Lloyd's totalling £3,473,000 (2009: £4,088,000).

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
The following standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010. The adoption of these standards do not have a material impact on the Group's Financial Statements.

New and amended standards adopted by the Group
- IFRS 3 (revised) "Business Combinations" and consequential amendments to IAS 27 "Consolidated and Separate Financial Statements", IAS 28 "Investments in Associates" and IAS 31 "Interests in Joint Ventures".
- IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses.
- IAS 36 (amendment) "Impairment of Assets" (effective 1 January 2010).

Notes to the financial statements continued
Year ended 31 December 2010

2. Accounting policies continued

International Financial Reporting Standards continued

New and amended standards and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

— IFRS 2 (amendment) “Group Cash-settled Share-based Payment Transactions” (effective 1 January 2010).

— IFRIC 17 “Distribution for Non-cash Assets to Owners” (effective on or after 1 July 2009).

— IFRIC 18 “Transfers of Assets From Customers” (effective for transfers of assets received on or after 1 July 2009).

— IFRIC 9 “Reassessment of Embedded Derivatives” and IAS 39 “Financial Instruments: Recognition and Measurement” (effective 1 January 2009).

— IFRIC 16 “Hedges of a Net Investment in a Foreign Operation” (effective 1 July 2009).

— IAS 38 (amendment) “Intangible Assets” (effective 1 January 2010).

— IAS 1 (amendment) “Presentation of Financial Statements” (effective 1 January 2010).

— IFRS 5 (amendment) “Non-current Assets Held for Sale and Discounted Operations” (effective 1 January 2010).

At the date of preparation of these consolidated financial statements a number of standards and other interpretations had been published by the International Accounting Standards Board but were not yet effective and have therefore not been adopted in these consolidated financial statements. These are:

— IFRS 9 “Financial Instruments”.

— IAS 24 (revised) “Related Party Disclosures”.

— IFRS 7 “Financial Instruments: Disclosures”.

— IAS 12 “Income Taxes”.

— IAS 32 “Financial Instruments: Presentation”.

— IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”.

— IFRIC 14 (revised) “The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”.

The Directors do not anticipate that the adoption of these standards will have a material impact on the Group Financial Statements.

Consolidation

The Financial Statements incorporate the Financial Statements of Hampden Underwriting plc, Hampden Corporate Member Limited, Nameco (No. 365) Limited and Nameco (No. 605) Limited for the year ended 31 December 2010, and the results of Nameco (No. 321) Limited for the five months ended 31 December 2010.

The Financial Statements of Hampden Corporate Member Limited, Nameco (No. 365) Limited, Nameco (No. 605) Limited and Nameco (No. 321) Limited are prepared for the year ended 31 December 2010. 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 408 of the Companies Act 2006. The loss after tax for the period of the Parent Company was £187,000 (2009: loss of £164,000).

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.

2. Accounting policies continued

Underwriting continued

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.

Notes to the financial statements continued
Year ended 31 December 2010

2. Accounting policies continued

Underwriting continued

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.

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 statement of comprehensive income.

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

2. Accounting policies continued

Underwriting continued

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 statement of comprehensive income in the period in which they arise.

Intangible assets

Intangible assets, which represent 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 statement of comprehensive income.

Investment in subsidiaries

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 statement of comprehensive income. 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.

Notes to the financial statements continued
Year ended 31 December 2010

2. Accounting policies continued

Underwriting continued
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.

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.

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 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.

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 2010	Syndicate participation £'000	Investment management £'000	Other corporate activities £'000	Total £'000
Net earned premium	6,791	—	—	6,791
Net investment income	365	3	—	368
Other underwriting income	4	—	—	4
Other income	—	—	116	116
Net insurance claims and loss adjustment expenses	(4,193)	—	—	(4,193)
Expenses incurred in insurance activities	(2,425)	—	—	(2,425)
Amortisation of syndicate capacity	—	—	(158)	(158)
Other operating expenses	(156)	—	(219)	(375)
Results of operating activities	386	3	(261)	128

Notes to the financial statements continued
Year ended 31 December 2010

4. Segmental information continued
Primary segment information continued

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

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

	2010		
	Gross £'000	Reinsurance £'000	Net £'000
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
Other movements	(1,388)	(182)	(1,206)
At 31 December 2009	7,301	1,581	5,720
At 1 January 2010	7,301	1,581	5,720
Increase in reserves arising from acquisition of subsidiary undertakings	1,361	259	1,103
Movement of reserves	398	58	340
Other movements	4,044	694	3,349
At 31 December 2010	13,104	2,592	10,512

Movement in unearned premium

	2010		
	Gross £'000	Reinsurance £'000	Net £'000
At 1 January 2009	2,366	266	2,100
Increase in reserves arising from acquisition of subsidiary undertakings	1,223	121	1,102
Movement of reserves	8	116	(108)
Other movements	(195)	(154)	(41)
At 31 December 2009	3,402	349	3,053
At 1 January 2010	3,402	349	3,053
Increase in reserves arising from acquisition of subsidiary undertakings	379	41	338
Movement of reserves	(462)	(122)	(340)
Other movements	58	157	(99)
At 31 December 2010	3,377	425	2,952

Included within other movements are the 2007 and prior years claims reserves reinsured into the 2008 year of account and currency exchange differences.

5. Insurance liabilities and reinsurance balances continued

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 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; and
- the funds at Lloyd's ratio will not change.

There have been no changes in assumptions in 2010.

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 £1,310,000 (2009: £730,000);
- a 10% increase/decrease in the managing agents' calculation of net claims reserves will decrease/increase the Group's pre-tax profits by £1,051,000 (2009: £572,000); and
- a 10% increase/decrease in the run-off year net claims reserves will decrease/increase the Group's pre-tax profits by £2,000 (2009: £3,000).

The 10% movement has been selected to give an indication of the possible variations in the assumptions used.

Analysis of gross and net claims development

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

2010

Gross claims as % of gross earned premium

Year of account	2008 %	2009 %	2010 %
12 months	75.8	48.7	64.3
24 months	66.7	53.1	—
36 months	67.5	—	—

Net claims as a % of net earned premium

Year of account	2008 %	2009 %	2010 %
12 months	74.3	53.2	68.5
24 months	65.8	56.2	—
36 months	63.5	—	—

2009

Gross claims as % 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 % 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	—	—

Notes to the financial statements continued

Year ended 31 December 2010

6. Net investment income

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Investment income at fair value through Income Statement	315	179
Realised gains on financial investments at fair value through Income Statement	137	169
Unrealised gains/(losses) on financial investments at fair value through Income Statement	21	88
Investment management expenses	(136)	(108)
Bank interest	31	47
Net investment income	368	375

7. Operating profit before tax

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Operating profit before tax is stated after charging:		
Directors' remuneration	65	65
Amortisation of intangible assets	246	217
Auditors' remuneration:		
– audit of the Parent Company and Group Financial Statements	24	20
– audit of subsidiary company Financial Statements	3	3
– services relating to taxation	5	5
– other services pursuant to legislation	15	11
– other services	9	—

The Group has no employees.

Directors' remuneration	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Sir Michael Oliver	20,000	20,000
Andrew Leslie	15,000	15,000
Jeremy Evans	15,000	15,000
Michael Cunningham	15,000	15,000
Total	65,000	65,000

Directors' remuneration comprises only Directors' fees. The Directors derive no other benefits, pension contributions or incentives from the Group. At 31 December 2010 no share options were held by the Directors (2009: 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 2010 £'000	Year ended 31 December 2009 £'000
Current tax:		
– current year	22	82
– prior year	(68)	(5)
– foreign tax paid	7	10
	(39)	87
Deferred tax:		
– current year	(35)	177
– prior year	70	(3)
	35	174
Tax on profit on ordinary activities	(4)	261

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

Tax for the year is lower than (2009: lower than) the standard rate of corporation tax in the UK of 28% (2009: 28%).

The differences are explained below:

	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Profit on ordinary activities before tax	128	985
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009: 28%)	36	276
Prior year adjustments	2	(8)
Change in deferred tax rate	(3)	58
Permanent disallowances	8	—
Dividend income not subject to tax	—	(5)
Negative goodwill not subject to tax	(32)	(58)
Relief for foreign taxation	(14)	—
Other	(1)	(2)
Tax (credit)/charge for the year	(4)	261

The results of the Group's participation on the 2008, 2009 and 2010 years of account and the calendar year movement on 2007 and prior run-offs will not be assessed to tax until the year ended 2011, 2012 and 2013 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.

Notes to the financial statements continued
Year ended 31 December 2010

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 2010	Year ended 31 December 2009
Profit for the period	£132,000	£724,000
Weighted average number of shares in issue	7,413,376	7,413,376
Basic and diluted earnings per share (p)	1.78p	9.77p

10. Dividends
No equity dividends were proposed, declared or paid in the year (2009: £nil).

11. Intangible assets

	Syndicate capacity £'000
Cost	
At 1 January 2010	1,649
Additions	26
Disposals	—
Acquired with subsidiary undertaking	304
At 31 December 2010	1,979
Amortisation	
At 1 January 2010	433
Charge for the year	246
Disposals	—
Acquired with subsidiary undertaking	26
At 31 December 2010	705
Net book value	
As at 31 December 2010	1,274
As at 31 December 2009	1,216

12. Financial investments

Group

Financial assets at fair value through Statement of Comprehensive Income

As at 31 December 2010, the Group held the following financial instruments carried at fair value on the statement of financial position:

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The Group has no level 3 investments.

Assets measured at fair value

	2010 £'000	Level 1 £'000	Level 2 £'000
Shares and other variable yield securities	1,149	1,149	—
Debt securities and other fixed income securities	8,502	8,502	—
Participation in investment pools	504	504	—
Loans guaranteed by mortgage	77	—	77
Holdings in collective investment schemes	76	—	76
Deposits with credit institutions	55	—	55
Funds held at Lloyd's	3,473	3,473	—
Other	5	—	5
Total – market value	13,841	13,628	213

	2009 £'000	Level 1 £'000	Level 2 £'000
Shares and other variable yield securities	583	583	—
Debt securities and other fixed income securities	5,413	5,413	—
Participation in investment pools	201	201	—
Loans guaranteed by mortgage	37	—	37
Holdings in collective investment schemes	—	—	—
Deposits with credit institutions	119	—	119
Funds held at Lloyd's	4,088	4,088	—
Other	—	—	—
Total – market value	10,441	10,285	156

The Directors consider any credit risk or liquidity risk not to be material.

Company

	31 December 2010 £'000	31 December 2009 £'000
Investment in subsidiary undertakings	1,035	656
Shares and other variable yield securities	—	—
Total – market value	1,035	656

The Company own 100% of the share capital of Hampden Corporate Member Limited, Nameco (No. 321) Limited, Nameco (No. 365) Limited and Nameco (No. 605) Limited, all of which trade as Lloyd's of London corporate vehicles and are incorporated in England and Wales.

Notes to the financial statements continued
Year ended 31 December 2010

13. Other receivables

Group	31 December 2010 £'000	31 December 2009 £'000
Arising out of direct insurance operations	1,876	1,741
Arising out of reinsurance operations	2,268	2,044
Other debtors	1,895	1,125
	6,039	4,910

Company	31 December 2010 £'000	31 December 2009 £'000
Amounts owed by subsidiary undertakings	4,871	4,772
Other debtors	—	—
Prepayments	25	28
	4,896	4,800

All other receivables are due within one year.

The Company has no analysis on other receivables held directly by the syndicates on the Group's behalf (see Note 21). None of the Group's other receivables are past their due date and are classified as fully performing.

14. Other payables

Group	31 December 2010 £'000	31 December 2009 £'000
Arising out of direct insurance operations	469	410
Arising out of reinsurance operations	1,162	786
Other creditors	1,188	1,019
	2,819	2,215

Company	31 December 2010 £'000	31 December 2009 £'000
Other creditors	2	2
Accruals and deferred income	90	30
	92	32

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 27% (2009: 28%). The movement on the deferred tax account is shown below:

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
At 1 January	491	5	—	—
Acquisition of subsidiary undertaking	117	312	—	—
Prior period adjustment	70	(3)	—	—
Charge for the year	(35)	177	—	—
At 31 December	643	491	—	—

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 2009	(10)	(6)	(16)
Credit for the year	(2)	6	4
At 31 December 2009	(12)	—	(12)
At 1 January 2010	(12)	—	(12)
Credit for the year	—	—	—
At 31 December 2010	(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 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
At 1 January 2010	121	382	503
Prior period adjustment	—	70	70
Acquisition of subsidiary undertaking	74	43	117
Credit for the year	(28)	(7)	(35)
At 31 December 2010	167	488	655

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 2010	2,950	50	3,000
29,500,000 ordinary shares of 10p each and 100,000 preference shares of 50p each at 31 December 2010	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 2010	741	6,261	7,002
7,413,376 ordinary shares of 10p each and share premium at 31 December 2010	741	6,261	7,002

Notes to the financial statements continued
Year ended 31 December 2010

17. Retained earnings

Group	31 December 2010 £'000	31 December 2009 £'000
At 1 January	738	14
Profit attributable to equity shareholders	132	724
At 31 December	870	738

Company	31 December 2010 £'000	31 December 2009 £'000
At 1 January	(8)	156
Loss attributable to equity shareholders	(187)	(164)
At 31 December	(195)	(8)

18. Acquisition of Nameco (No. 321) Limited

On 4 August 2010 Hampden Underwriting plc acquired 100% of the issued share capital of £1 ordinary shares of Nameco (No. 321) Limited for £379,000. Nameco (No. 321) 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 £495,000. Negative goodwill of £116,000 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	4	274	278
Financial investments	1,146	—	1,146
Reinsurance share of insurance liabilities	299	—	299
Other receivables, including insurance receivables	653	—	653
Prepayments and accrued income	107	—	107
Cash and cash equivalents	220	—	220
Insurance liabilities	(1,740)	—	(1,740)
Other payables, including insurance payables	(319)	—	(319)
Accruals and deferred income	(32)	—	(32)
Current income tax liabilities	—	—	—
Deferred income tax liabilities	(43)	(74)	(117)
Net assets acquired	295	200	495
Satisfied by:			
Cash and cash equivalents	379	—	379
Negative goodwill	84	(200)	116

The loss of Nameco (No. 321) Limited for the period since the acquisition date to 31 December 2010 is £7,000.

The Group net earned premium and profit for the year would have been £7,710,000 and £101,000 respectively if the acquisition date of Nameco (No. 321) Limited had been 1 January 2010.

There was no cost connected with the acquisition of the above company.

19. Related party transactions

Hampden Underwriting plc has provided inter-company loans to Hampden Corporate Member Limited, Nameco (No. 365) Limited and Nameco (No. 605) Limited, all 100% subsidiaries of the Company. Interest is charged on the loans at base rate plus 0.125%. The loans are repayable on three months' notice provided it does not jeopardise the ability of Hampden Corporate Member Limited, Nameco (No. 365) Limited and Nameco (No. 605) Limited to meet their liabilities as they fall due. The amounts outstanding as at 31 December are set out below:

Company	31 December 2010 £'000	31 December 2009 £'000
Balances due from Group companies at the period end:		
Hampden Corporate Member Limited	3,704	3,682
Nameco (No. 365) Limited	134	133
Nameco (No. 605) Limited	1,021	957
Nameco (No. 321) Limited	12	—
Total	4,871	4,772

Hampden Corporate Member Limited, Nameco (No. 365) Limited, Nameco (No. 605) Limited and Nameco (No. 321) Limited ("Corporate Members") are 100% subsidiaries of the Company and have entered into a management agreement with Nomina plc. Jeremy Richard Holt Evans, a Director of Hampden Underwriting plc and the Corporate Members 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 (2009: £2,625) per Corporate Member.

The Corporate Members are 100% subsidiaries of the Company and have entered into a members' agent agreement with Hampden Agencies Limited. Jeremy Richard Holt Evans, a Director of Hampden Underwriting plc and the Corporate Members and Sir James Michael Yorrick Oliver, a Director of Hampden Underwriting plc, are also Directors of Hampden Capital plc which controls Hampden Agencies Limited. Under the agreement the Corporate Members will pay Hampden Agencies Limited a fee based on a fixed amount, which will vary depending upon the number of syndicates the Corporate Members underwrites on a bespoke basis, and a variable amount depending on the level of underwriting through the members' agent pooling arrangements. In addition, the Corporate Members will pay profit commission on a sliding scale from 1% of the net profit up to a maximum of 10%. The total fees payable for 2010 are set out below:

Company	Year ended 31 December 2010 £'000	Year ended 31 December 2009 £'000
Hampden Corporate Member Limited	17	17
Nameco (No. 365) Limited	9	5
Nameco (No. 605) Limited	43	10
Nameco (No. 321) Limited	19	—
Total	88	32

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 (2009: £35,000) 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 £920 (2009: £35,239). The reinsurance arrangement was at market rates. Hampden Capital plc is the holding company of Nomina plc.

Notes to the financial statements continued
Year ended 31 December 2010

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 2008 £	2009 £	2010 £
33	Hiscox Syndicates Limited	96,648	103,551	138,067
218	Equity Syndicates Management Limited	103,923	111,716	220,092
318	Beaufort Underwriting Agency Limited	22,826	—	—
386	QBE Underwriting Limited	25,113	25,113	26,968
510	RJ Kiln & Co. Limited	100,000	117,860	172,025
557	RJ Kiln & Co. Limited	175,000	185,000	205,000
570	Atrium Underwriters Limited	49,241	49,241	56,931
609	Atrium Underwriters Limited	45,000	41,718	57,431
623	Beazley Furlonge Limited	134,219	126,912	190,841
727	S.A. Meacock & Company Limited	40,000	40,000	43,348
807	RJ Kiln & Co. Limited	33,748	33,748	39,225
958	Omega Underwriting Agency Limited	105,500	105,500	118,428
1200	Argo Managing Agency Limited	130,592	110,592	118,915
2121	Argenta Syndicate Management Limited	349,999	404,441	100,000
2791	Managing Agency Partners Limited	95,140	115,128	309,577
4040	HCC Underwriting Agency Limited	40,000	40,000	—
6101	Argenta Syndicate Management Limited	79,997	—	—
6103	Managing Agency Partners Limited	130,803	302,831	235,000
6104	Hiscox Syndicates Limited	200,000	200,000	90,000
6106	Amlin Underwriting Limited	—	104,334	175,000
6107	Beazley Furlonge Limited	—	—	15,000
7200	Members' Agents Pooling Arrangement	211,086	194,532	245,510
7201	Members' Agents Pooling Arrangement	1,119,578	1,028,781	1,278,679
7202	Members' Agents Pooling Arrangement	404,653	373,051	458,226
7203	Members' Agents Pooling Arrangement	39,227	35,673	44,301
7208	Members' Agents Pooling Arrangement	5,000,000	4,416,400	5,086,907
7217	Members' Agents Pooling Arrangement	—	59,320	70,235
Total		8,732,293	8,325,442	9,495,706

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 2010			31 December 2009		
	Group £'000	Syndicate £'000	Total £'000	Group £'000	Syndicate £'000	Total £'000
Assets						
Intangible assets	1,274	—	1,274	1,216	—	1,216
Financial investments	3,473	10,368	13,841	4,087	6,354	10,441
Reinsurance share of insurance liabilities:	—	—	—	—	—	—
– reinsurers' share of outstanding claims	—	2,592	2,592	—	1,581	1,581
– reinsurers' share of unearned premiums	—	425	425	—	349	349
Other receivables, including insurance receivables	17	6,022	6,039	69	4,841	4,910
Prepayments and accrued income	45	856	901	34	839	873
Deferred income tax assets	12	—	12	12	—	12
Cash and cash equivalents	2,892	428	3,320	1,776	335	2,111
Total assets	7,713	20,691	28,404	7,194	14,299	21,493
Liabilities						
Insurance liabilities:						
– claims outstanding	—	13,104	13,104	—	7,301	7,301
– unearned premiums	—	3,377	3,377	—	3,402	3,402
Other payables, including insurance payables	67	2,752	2,819	120	2,095	2,215
Accruals and deferred income	781	(204)	577	233	(7)	226
Current income tax liabilities	—	—	—	106	—	106
Deferred income tax liabilities	655	—	655	503	—	503
Total liabilities	1,503	19,029	20,532	962	12,791	13,753
Shareholders' equity						
Share capital	741	—	741	741	—	741
Share premium	6,261	—	6,261	6,261	—	6,261
Retained earnings	(792)	1,662	870	(770)	1,508	738
Total shareholders' equity	6,210	1,622	7,872	6,232	1,508	7,740
Total liabilities and shareholders' equity	7,713	20,691	28,404	7,194	14,299	21,493

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)

Company secretary
Hampden Legal plc
Hampden House
Great Hampden
Great Missenden
Buckinghamshire HP16 9RD

Company number
05892671

Registered office
Hampden House
Great Hampden
Great Missenden
Buckinghamshire HP16 9RD

Statutory auditor
Littlejohn LLP
1 Westferry Circus
Canary Wharf
London E14 4HD

Solicitors
Jones Day
21 Tudor Street
London EC4Y 0DJ

Bankers
Coutts & Co
440 Strand
London WC2R 0QS

Nominated adviser and broker
Smith & Williamson Corporate Finance Limited
25 Moorgate
London EC2R 6AY

Lloyd's members agent
Hampden Agencies Limited
85 Gracechurch Street
London EC3V 0AA

Registrars
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

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Hampden Underwriting plc
Hampden House
Great Hampden
Great Missenden
Buckinghamshire HP16 9RD
United Kingdom