SYNDICATE 2791

Report and Financial Statements
31 December 2007

MAP

Underwriting at Lloyd's

CONTENTS

CHAIRMAN'S REPORT

I am pleased to report another creditable result for the Syndicate. The 2005 underwriting year sustained the highest aggregate insured catastrophe losses in history, yet Syndicate 2791 was able to declare a final result after all expenses of nearly 6% of Stamp Capacity. This is further vindication of what other participants describe as a purist approach to underwriting and management, and we would describe as the application of logic and discipline. The 2006 year was blessed with low incidence of natural perils losses, and promises to be extremely profitable.

However, the market is now softening rapidly, and considerable volumes of business are being written by some insurers and reinsurers at uneconomic rates. At the same time there is a growing chorus questioning the London market's ability to compete on a global stage. These voices were muted in 2002/3 when the market failed to grow as fast as it should have, in very favourable conditions: as usual, the conventional wisdom was focused on fighting the previous war, and much energy was wasted on unnecessary attempts to restructure capital provision in Lloyd's.

There are clearly improvements that can be made in the processes that support the placement of business in the market, but while addressing them we should always remember to focus on the strengths that the best London market participants bring to the table: rapid response by empowered, experienced underwriters, low cost base, and flexible application of capital. Both clients and outside observers repeatedly list these as major assets for the market, but there is a frustrating tendency in some of our peers to downplay or even to undermine these virtues. It is critical that we do not allow those whose concern in a softening market is to maintain premium volume or market share to drag the rest of us down.

I have absolute confidence that Richard Trubshaw and the team we brought together will continue to produce excellent underwriting results. The last seven years have seen an extraordinary range of market conditions, and at each point the team has risen to the challenge, gaining further experience along the way. While weaker market rate levels will undoubtedly mean smaller profits than in the best years, the clarity of focus and strong fundamentals will ensure that the syndicate is strongly positioned throughout the cycle.

D E S Shipley
Chairman

18 March 2008

SYNDICATE 2791

Underwriting Year Distribution Accounts
2005 year of account

DIRECTORS AND ADMINISTRATION

MANAGING AGENT

Managing Agent
Managing Agency Partners Limited (MAP)

Directors
C E Dandridge (Non-executive)
J D Denoon Duncan
H R Dumas (Non-executive)
A S Foote (Non-executive)
A Kong
B S McAuley
D E S Shipley (Non-executive Chairman)
C J Smelt
R J Sumner
R K Trubshaw (Active Underwriter)

Company Secretary
B S McAuley

Managing Agent's Registered Office
110 Fenchurch Street
London
EC3M 5JT

Managing Agent's Registration
Registered in England; number: 03985640

SYNDICATE

Active Underwriter
D E S Shipley (To 31 August 2007)
R K Trubshaw (From 1 September 2007)

Principal Investment Managers
BlackRock, Inc

Registered Auditors
Ernst & Young LLP, London

MANAGING AGENT'S REPORT

The managing agent presents its report on the 2005 year of account of Syndicate 2791 as closed at 31 December 2007.

These accounts have been prepared in accordance with The Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005). Separate annual accounts under UK GAAP on the calendar year results are available to all the syndicate's members (see pages 28 to 52).

The result for the closing year includes the profit and exchange differences arising from retranslation of the balance sheet, and other than the separate disclosure of exchange differences shown within the Statement of Total Recognised Gains and Losses, the result for the closed year is identical to that which would have arisen under the former basis of syndicate accounting.

UNDERWRITER'S REPORT

2005 Year of Account

Capacity £325.6 million

The 2005 year has closed with a profit of £19.0 million after all members' personal expenses, equivalent to 5.8% of stamp capacity, compared with the forecast range of 0% to 5%. The result reflects a pure year result of 3.6% plus a back-year release of £8.7 million.

Development of Closed Years (2004 and prior)

Savings on the 2001 underwriting year were offset by late settlements on the World Trade Center attack. We are still holding a modest IBNR against ongoing litigation, although notified outstandings have now dropped to around £1 million.

Both the 2002 and 2003 years saw releases on the short-tail account, coupled with modest releases on long-tail classes.

The 2004 year has enjoyed positive net development on its share of the hurricanes that occurred in 2005. The incurred losses on the 2004 events have slightly reduced over the last year, although we continue to hold the same level of reserves.

Pure Year 2005

Utilisation of capacity

Due to reinstatement premiums and post-event opportunities the final utilisation was 84% at closing rates of exchange, compared to 92% at initial monitoring rates. The reinsurance spend (inflated by reinstatement costs) was a little over £42 million or 13% of capacity.

Performance review

The underlying performance of the portfolio, excluding contracts affected by hurricane losses, was again excellent. Incurred losses on the long-tail classes are a few points worse than 2003 and 2004 after 36 months, albeit much improved on 2001 and 2002, and have a commensurate uplift in reserving to ultimate.

2005 Hurricanes

For the pure 2005 year of account our incurred hurricane losses are £168 million (2006: £164 million), reducing to £79 million net of reinsurance (2006: £82 million), with a further IBNR reserve of £6 million (2006: £5 million). Whilst the bulk of the losses emanated from property insurance and reinsurance accounts, hurricanes Katrina and Rita caused sizable losses to the offshore marine book. Broadly speaking the loss events were within our range of expectations and we were well positioned to take advantage of the rapidly hardening market into 2006.

2006 Year of Account Forecast

Our forecast range for the 2006 year of account is 30% to 35% on Stamp Capacity after all expenses. This range has improved by a percentage point over the previous quarter.

Overview

The forecast reflects a combination of benign loss experience and extremely strong rates in the property and energy classes. Our reinsurance spend remained modest, which allowed a good proportion of the gross profit to accrue directly to the bottom-line, as our net risk appetite expanded commensurate with the improved pricing.

Class of Business Review for 2006 and 2007

Direct and facultative property

US catastrophe driven rating hardened considerably throughout 2006 and into the first half of 2007. Since then the market has started to erode terms and conditions such that many large accounts now fall short of our technical pricing requirements. Non-US writings remain modest.

Property reinsurance

We were able to take full advantage of the chaotic market conditions that prevailed after the 2005 hurricanes. As the catastrophe loss models generally used by our peers in the market were radically recalibrated, we were able to achieve our required terms over a broad spectrum of business.

Third party liability

The book has continued to reduce as a proportion of the overall syndicate portfolio, partly due to the general emphasis on strongly priced property business, but also as a result of our technical pricing requirements, in contrast to an increasing market appetite for non-correlated risk, often seemingly regardless of price adequacy.

Accident and health

The early promise of our foray into the specialist Sports Personal Accident market appears to be bearing fruit. Our catastrophe driven reinsurance account has run well, whereas the medical expenses book has been largely non-renewed.

Marine and offshore energy

While the losses we sustained in hurricanes Katrina and Rita were substantial, they were less extreme than for many in the market. We were therefore able to take full advantage of the rapidly re-rated energy sector. Opportunities in standard marine business remain patchy, although our incurred loss ratios for all years are pleasingly low.

War and political risks

These classes are becoming increasingly competitive, although we have had some success with our specific terrorism liability product. The syndicate was not exposed to any of the terrorist incidents in 2006 or 2007, and has written almost no political risks insurance, reflecting the continued weak market in this class.

Specialist lines

There has been an increase in loss incidence in certain lines, notably Space and Entertainment. Overall performance remains satisfactory, although opportunities are declining.

Motor

The short-tail element of this book has performed highly satisfactorily, although technical margins are falling away fast. Long-tail continues to under-perform, and will continue to be pared back accordingly.

Current Trading Conditions

Virtually all areas of our business are softening, and we estimate many classes in which we do not participate as being written below cost. Our response is to defend each risk down to the minimum acceptable technical margin, and no further. Early indications for 2008 indicate that premium volume will fall significantly, although the achieved rates remain satisfactory. Given that one of the best technically rated areas remains US catastrophe business, we renewed the 30% quota share cession to Syndicate 6103 for the 2008 year of account. This enables Syndicate 2791 to be more efficient in managing its net appetite for catastrophic risk.

The Future

Our performance over the last few years has largely been due to our technical pricing discipline. We require deliberately high margins because a large part of our business involves protection against severity or volatility that does not occur on a predictable, annual basis. When the market is fearful post-loss, capacity shrinks and prices rise, we evaluate the improved rate per unit of exposure and grow accordingly (2005–6). Equally, when the market looks in the rear-view mirror and sees good results it wants more, whereas we, faced with a weakened rate per unit of exposure, shrink accordingly

(2007–8). In the initial downturn we will lose business that makes money in a non-cat year, but the key point is that each year that is profitable drives down the prices for the subsequent year until the inevitable happens, the market loses money and the cycle turns again. This is the call we are making for 2008. If nothing happens we will shrink again for 2009, and so on. Our job is to play the percentages and protect the franchise. We are not prepared to assume under-priced risk, because we don't know when the loss will occur. Anyone who does the opposite – i.e. grow market share in a falling market – merely guarantees to have the largest share of the loss at the lowest rates.

In consequence, we will remain an owner-managed independent underwriting business using private capital to respond in a rapid and flexible way to the challenges the market presents. Blessed with low expenses and an enduring reputation for prompt, efficient service, we are well placed to manage this stage of the market cycle.

Analysis of premium written by syndicate classification

	Gross written £'000	Net written £'000
Direct and facultative property	49,889	38,957
Third party liability	68,940	67,601
Accident and health	19,721	19,712
Marine and offshore energy	32,684	32,230
War, terrorism and political	10,829	10,829
Property reinsurance	133,614	102,252
Motor	39,129	39,129
Specialist lines	9,968	9,394
Total	364,774	320,104

Investment Return

The syndicate investment portfolio in terms of return can be viewed in three distinct pots: cash or cash equivalents, fixed income securities and equity funds. Our investment philosophy is to ensure that the more conservative investments match the insurance liabilities. We do not generally subscribe to the theory that matching the duration of our liabilities with assets is necessarily a good thing, nor is it mandatory for our business. We do seek to maximise our investment return by adjusting the asset mix within our risk appetite.

Our investment return contributed £23.9 million to the result – the rate of return achieved was 3.3% in 2005, 5.4% in 2006 and 5.8% in 2007 calendar years.

The syndicate assets are pooled over all years of account and the investment return is allocated to each year on a consistent formula which calculates the actual assets attributable to each year of account.

The contribution of income received during 2007 was impacted by the events in global money markets in the second half of 2007. We have sought to pro-actively manage and ameliorate the interest rate risk but we have inevitably been adversely affected by these events; for example, the return on our portfolio was 2.47% in the second half of 2007 and 3.29% in the first half, driven by lower returns on the equity portfolio.

Reinsurance Debtors

Recoverable amounts from reinsurers amount to £25 million (2006: £17 million). Our insurance debtors on paid claims are £3.2 million, virtually all of which is due from requests made to reinsurers within 90 days of the year end. There are no provisions for bad debts on the syndicates' reinsurance balances.

An analysis of the security rating for the debtors on our balance sheet at 31 December is set out below:

Debt table by security rating

Standard & Poor's rating	On paid claims £m	On outstanding claims £m	On IBNR £m	Total £m
AA and above	0.8	10.8	–	11.6
A	1.7	3.0	7.4	12.1
BBB	–	–	–	–
BB and below	0.7	0.8	0.2	1.7
	3.2	14.6	7.6	25.4

Of the debtors in the table above with a rating lower than BB, the syndicate has access to £5.4m of assets as security should the reinsurer fail to pay valid claims when they fall due.

2006 Year of Account Forecast

An estimate of the 2006 underwriting result as at 36 months is set out below:

	£'000
Stamp capacity	399,636
Gross premiums written	416,615
Net premiums written	382,100
Claims incurred – net of reinsurance	(140,137)
Net operating expenses	(94,711)
Investment return	26,467
Profit commission	(28,967)
Personal expenses	(8,193)
Estimate of profit for the year of account after personal expenses	136,559

Assumptions underlying the 2006 Estimated Result:

(i) There will be no material reinsurance failures.

(ii) Syndicate expenses, incurred in the calendar year 2008 to be charged to the 2006 year of account, will continue the pattern of previous years as refined by current budgets.

(iii) Exchange rates at 31 December 2008 will not be materially different from those at 31 December 2007.

(iv) Investment returns attributable to 2006 during 2008: Stg 4.5%, Can$ 5.0%, Euro 4.0% and US$ 4.0%.

(v) Claims will be paid in line with our expected development patterns.

(vi) No material back year surplus or deficit arises from the RITC.

Summary of Closed Years of Account

	Notes	2001	2002	2003	2004	2005
Syndicate allocated capacity (£m)		139.6	264.2	325.7	325.6	325.6
Number of Underwriting Members		3,041	2,895	1,147	1,256	1,359
Aggregate net premiums (£m)		164.0	275.8	351.6	317.3	320.1
Results for illustrative share of £10,000		%	%	%	%	%
Utilisation of capacity at premium income monitoring rates of exchange		127.0	117.8	108.6	93.8	94.8
Gross premiums written (% of illustrative share)		152.1	127.0	122.8	105.3	112.0
Net premiums (% of illustrative share)		117.4	104.4	107.9	97.4	98.3
Balance on technical account (% of gross premiums)		(10.8)	20.8	23.5	11.8	1.4
Results for illustrative share of £10,000		£	£	£	£	£
Gross premiums	1	15,206	12,702	12,280	10,526	11,205
Net premiums		11,743	10,440	10,794	9,745	9,832
Reinsurance to close from an earlier year of account		–	1,887	2,624	4,599	5,678
Net claims		(5,643)	(3,071)	(3,117)	(4,250)	(5,745)
Reinsurance to close		(3,795)	(3,235)	(4,528)	(6,055)	(6,738)
Underwriting profit		2,305	6,021	5,773	4,038	3,027
Acquisition costs	1	(3,345)	(2,667)	(2,605)	(2,294)	(2,473)
Other syndicate operating expenses, excluding personal expenses		(515)	(402)	(300)	(152)	(150)
Reinsurers' and profit commissions		123	279	299	56	23
Exchange movement on foreign currency translation	3	–	–	96	(302)	(300)
Net investment income		300	232	287	554	735
Illustrative personal expenses:						
Managing agent's fee		(65)	(65)	(65)	(55)	(55)
Profit commission	2	–	(491)	(509)	(303)	(124)
Other personal expenses		(100)	(125)	(104)	(175)	(100)
(Loss)/profit after illustrative personal expenses and illustrative profit commission		(1,297)	2,782	2,872	1,363	583

1. Gross premiums and syndicate operating expenses have been grossed up for brokerage costs and the results for 2001 and 2002 have been restated.
2. Profit commission is reported on a pro forma basis before the application of the deficit clause brought forward.
3. The results for 2003 and subsequent years have been stated at average rates; 2001 and 2002 are stated at closing rates.

Disclosure of Information to the Auditors

So far as each person who was a director of the managing agent at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with its report, of which the auditor is unaware. Having made enquiries of fellow directors of the agency and the syndicate's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of Auditors

The managing agent intends to reappoint Ernst & Young LLP as the syndicate's auditors.

By order of the Board

R K Trubshaw
Active Underwriter
Managing Agency Partners Limited

18 March 2008

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulations 2004 ('the Lloyd's Regulations') require the managing agent to prepare syndicate underwriting year accounts for each syndicate in respect of any underwriting year which is being closed by reinsurance to close at 31 December.

The managing agent must prepare the syndicate underwriting year accounts which give a true and fair view of the result of the closed year of account.

In preparing the syndicate underwriting year accounts, the managing agent is required to:

- select suitable accounting policies which are applied consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable as between the members of the syndicate affected. In particular, the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and reinsured members are members of the same syndicate for different years of account, be equitable as between them, having regard to the nature and amount of the liabilities reinsured;
- take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in these accounts.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the syndicate underwriting year accounts comply with the Lloyd's Regulations. It is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT

to the Members of Syndicate 2791 – 2005 Closed Year of Account

We have audited the syndicate's underwriting year accounts for the 2005 year of account for the three years ended 31 December 2007, which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the related notes 1 to 21 and the Statement of Managing Agent's Responsibilities. These underwriting year accounts have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the syndicate's members, as a body, in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004. Our audit work has been undertaken so that we might state to the syndicate'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 syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors of the Managing Agent and Auditors

As described in the Statement of Managing Agent's Responsibilities, the managing agent is responsible for the preparation of underwriting year accounts in accordance with applicable United Kingdom Generally Accepted Accounting Practice.

Our responsibility is to audit the underwriting year accounts in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the underwriting year accounts give a true and fair view of the result of the closed year of account in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004. We also report to you if, in our opinion the Managing Agent's Report is not consistent with the underwriting year accounts, if the managing agent in respect of the syndicate has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the Managing Agent's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the underwriting year accounts. It also includes an assessment of the significant estimates and judgements made by the directors of the managing agent in the preparation of the underwriting year accounts, and of whether the accounting policies are appropriate to the syndicate's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the underwriting year accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the result of the 2005 closed year of account.

Ernst & Young LLP
Registered Auditor
London

18 March 2008

PROFIT AND LOSS ACCOUNT TECHNICAL ACCOUNT – GENERAL BUSINESS

for the 2005 Closed Year of Account for the three years ended 31 December 2007

	Notes		2005 £'000
Syndicate allocated capacity			325,558
Earned premiums net of reinsurance:			
Gross premiums written	*3*	364,774	
Outward reinsurance premiums		(44,670)	
Earned premiums, net of reinsurance			320,104
Reinsurance to close premiums received, net of reinsurance	*4*		184,840
Allocated investment return transferred from the non-technical account			23,871
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(293,158)	
Reinsurers' share		106,114	
		(187,044)	
Reinsurance to close premium payable, net of reinsurance	*5*	(219,351)	(406,395)
Acquisition expenses		(80,512)	
Reinsurers' commissions and profit participations		763	
Operating expenses	*6*	(14,352)	
Net operating expenses			(94,101)
Balance on the technical account – general business	*10*		28,319

PROFIT AND LOSS ACCOUNT NON-TECHNICAL ACCOUNT

for the 2005 Closed Year of Account for the three years ended 31 December 2007

	Notes	2005 £'000
Balance on the technical account for general business		28,319
Investment income	9	20,032
Unrealised gains on investments		8,486
Unrealised losses on investments		(2,390)
Investment expenses and charges	9	(2,257)
Allocated investment return transferred to general business technical account		(23,871)
Profit for the 2005 closed year of account		28,319

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the 2005 Closed Year of Account for the three years ended 31 December 2007

	Note	2005 £'000
Profit for the 2005 closed year of account		28,319
Exchange difference on foreign currency translation	*11*	(9,345)
Total recognised gains and losses		18,974

BALANCE SHEET

2005 Closed Year of Account as at 31 December 2007

	Notes		2005 £'000
Assets			
Investments	*12*		237,434
Debtors	*13*		19,913
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account	*5*		22,179
Other assets			
Cash at bank and in hand		43,353	
Other	*14*	13,825	
			57,178
Prepayments and accrued income			
Accrued interest		614	
Prepayments and other accrued income		172	
			786
Total assets			337,490
Liabilities			
Amounts due to members	*15*		18,974
Reinsurance to close premiums payable to close the account – gross amount	*5*		241,530
Other creditors	*16*		76,637
Accruals and deferred income			349
Total liabilities			337,490

The financial statements on pages 13 to 25 were approved by the Board of Managing Agency Partners Limited on 18 March 2008 and were signed on its behalf by:

R K Trubshaw
Active Underwriter

R J Sumner
Finance Director

18 March 2008

CASH FLOW STATEMENT

for the 2005 Closed Year of Account for the three years ended 31 December 2007

	Notes	2005 £'000
Net cash inflow from operating activities	*17*	302,382
Cash flows were invested as follows:		
Increase in cash holdings	*18*	43,353
Increase in overseas deposits		13,825
Net portfolio investment	*19*	245,204
Net investment of cash flows		302,382

NOTES TO THE ACCOUNTS

for the 2005 Closed Year of Account for the three years ended 31 December 2007

1. Basis of Preparation

These financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004, the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom and comply with the Statement of Recommended Practice on Accounting for Insurance Business issued in December 2005 (as amended in December 2006) by the Association of British Insurers.

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These accounts relate to the 2005 year of account which has been closed by reinsurance to close at 31 December 2007; consequently the balance sheet represents the assets and liabilities of the 2005 year of account and the profit and loss account and cash flow statement reflect the transactions for that year of account during the three year period until closure.

As each syndicate year of account is a separate annual venture, comparatives are not required to be disclosed.

2. Accounting Policies

The underwriting accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of the three year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account.

Premiums written

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Premiums in respect of insurance contracts underwritten under a binding authority, line slip or consortium arrangement are allocated to the year of account corresponding to the calendar year of inception of the arrangement. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

Premiums written are treated as fully earned.

Reinsurance premium ceded

Initial reinsurance premiums paid to purchase policies which give excess of loss protection are charged to the year of account in which the protection commences. Premiums for other reinsurances are charged to the same year of account as the risks being protected.

Claims paid and related recoveries

Gross claims paid include internal and external claims settlement expenses and, together with reinsurance recoveries less amounts provided for in respect of doubtful reinsurers, are attributed to the same year of account as the original premium for the underlying policy. Reinstatement premiums payable in the event of a claim being made are charged to the same year of account as that to which the recovery is credited.

Reinsurance to close premium payable

The reinsurance to close premium is determined on the basis of estimated outstanding liabilities and related claims settlement costs (including claims incurred but not reported), net of estimated collectible reinsurance recoveries, relating to the closed year of account and all previous years of account reinsured therein.

The estimate of claims outstanding is assessed on an individual case and class basis, as appropriate, and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. It also includes the estimated cost of claims incurred but not reported ('IBNR') at the balance sheet date based on statistical methods.

These methods generally involve projecting from past experience of 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. 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 amount of salvage and subrogation recoveries is separately identified.

The reinsurers' share is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the 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. A number of statistical methods are used to assist in making these estimates.

2. Accounting Policies *continued*

Reinsurance to close premium payable *continued*

The two most critical assumptions as regards claims estimates are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

The directors consider that the estimates of gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments.

Reinsurance bad debt

Bad debts are provided for only where specific information becomes available to suggest a debtor may be unable or unwilling to settle its debts to the syndicate. Specific information may be directly attributed to the debtor company or may be indirect information from a rating agency or other source. The provision is calculated on a case by case basis.

Foreign currency translation

Transactions, other than reinsurance to close, in US dollars, Canadian dollars and Euros are translated at the average rates of exchange for each calendar year in which they are booked. Reinsurance to close premiums receivable and payable, and underwriting transactions denominated in other foreign currencies, are included at the rate of exchange ruling at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date or if appropriate at the forward contract rate.

All exchange differences arising on retranslation of opening balances and between average and year end rates are included in the statement of total recognised gains and losses.

Where Canadian dollars or Euros are sold or bought relating to the profit or loss of the closed underwriting account after 31 December, any exchange profit or loss arising is reflected in the underwriting account into which the liabilities of that year have been reinsured. Where United States dollars relating to the profit or loss of a closed underwriting account are bought or sold by members on that year, any exchange profit or loss accrues to those members.

The following rates of exchange to sterling have been used in the preparation of these accounts.

	Year end rate	Average rates during		
	2007	2007	2006	2005
USD	1.99	2.00	1.84	1.82
CAD	1.96	2.15	2.09	2.21
EUR	1.36	1.46	1.47	1.46

Investments

Investments are stated at current value at the balance sheet date. For this purpose listed investments are stated at market value and deposits with credit institutions are stated at cost. Unlisted investments for which a market exists are stated at the bid price at which they are traded on the balance sheet date or the last trading day before that date.

Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest. The returns on assets arising in a calendar year are apportioned to years of account open during the calendar year in proportion to the average funds available for investment on each year of account.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and market value at the previous balance sheet date, or purchase price if acquired during the year. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year.

Allocation of investment return

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments are generated by insurance related assets.

2. Accounting Policies *continued*

Operating expenses

Where expenses are incurred by or on behalf of the managing agent on the administration of managed syndicates, these expenses are apportioned using varying methods depending on the type of expense. Expenses which are incurred jointly for the agency company and managed syndicates are apportioned between the agency company and the syndicates on bases depending on the amount of work performed, resources used and the volume of business transacted. Syndicate operating expenses are allocated to the year of account for which they are incurred.

Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the syndicate during the year are included in the balance sheet under the heading 'other debtors'.

No provision has been made for any overseas tax payable by members on underwriting results.

Pension costs

MAP operates a defined contribution scheme. Pension contributions relating to syndicate staff are charged to the syndicate and included within net operating expenses.

Profit commission

Profit commission is charged by the managing agent at a rate of 17.5% of profit subject to the operation of a deficit clause. This does not become payable until after the year of account closes.

3. Segmental Analysis

An analysis of the underwriting result before investment return is set out below:

	Gross written premiums (note 1) £'000	Gross claims incurred (note 2) £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
Direct insurance						
Accident and health	15,661	(4,479)	(5,370)	(15)	5,797	1,594
Fire and other damage to property	48,595	(45,537)	(12,874)	11,521	1,705	13,753
Marine, Aviation and Transport	27,551	(22,484)	(6,870)	4,020	2,217	2,309
Motor (other classes)	18,458	(13,402)	(5,737)	(20)	(701)	2,189
Third party liability	27,458	(19,905)	(7,719)	666	500	13,301
Miscellaneous	6,315	(3,911)	(2,317)	(166)	(79)	2,021
	144,038	(109,718)	(40,887)	16,006	9,439	35,167
Reinsurance	220,736	(235,971)	(54,218)	49,094	(20,359)	52,525
	364,774	(345,689)	(95,105)	65,100	(10,920)	87,693
RITC	201,000	(188,999)	1,004	2,363	15,368	131,658
Total	565,774	(534,688)	(94,101)	67,463	4,448	219,351

Commission on direct gross premiums written amount to £35,520,000.

1. Gross premiums earned are identical to gross premiums written.
2. Gross claims incurred comprise gross claims paid and gross reinsurance to close premium payable.
3. All premiums are concluded in the UK.
4. Gross premiums in respect of 2004 and prior are reported within the relevant business classes above.

The exchange loss relating to the opening reinsurance to close is £584,000.

3. Segmental Analysis *continued*

The geographical analysis of premiums by destination is as follows:

	£'000
UK	17,187
Other EU countries	31,231
US	214,586
Other	101,770
Total	364,774

Other, above, includes worldwide income of £59,767,000.

4. Reinsurance to Close Premium Receivable

	£'000
Gross reinsurance to close premium receivable	201,000
Reinsurance recoveries anticipated	(16,160)
Reinsurance to close premium receivable, net of reinsurance	184,840

5. Reinsurance to Close Premium Payable

	2004 and prior £'000	2005 pure £'000	2005 £'000
Gross outstanding claims	76,291	53,973	130,264
Reinsurance recoveries anticipated	(4,872)	(9,695)	(14,567)
Net outstanding claims	71,419	44,278	115,697
Provision for gross claims incurred but not reported	63,739	46,132	109,871
Reinsurance recoveries anticipated	(4,287)	(3,325)	(7,612)
Provision for net claims incurred but not reported	59,452	42,807	102,259
Unallocated loss and loss adjustment expenses	787	608	1,395
Net premium for reinsurance to close	131,658	87,693	219,351

The reinsurance to close is effected to the 2006 year of account of Syndicate 2791.

6. Operating Expenses

	£'000
Personal expenses	5,046
Outwards profit commission	4,023
Other administrative expenses	4,878
Loss on exchange	405
	14,352

Administrative expenses include:

	£'000
Auditors' remuneration	
Fees for the audit of the syndicate	184
Taxation compliance services	7
Actuarial consultancy services	103

Personal expenses comprise managing agent's fees, profit commission, Lloyd's subscriptions and central fund contributions.

7. Staff Numbers and Costs

All staff are employed by the managing agency. The following amounts were recharged to the syndicate in respect of salary costs:

	£'000
Wages and salaries	2,780
Social security costs	311
Other pension costs	277
	3,368

Included above are the employment costs of underwriters attibutable to acquisition of business and those of claims staff treated within the technical account as Acquisition Costs and Loss Adjustment Expenses respectively.

The average number of employees employed by the managing agency but working for the syndicate during the three years was as follows:

	Number
Administration and finance	19
Underwriting	22
Claims	4
	45

8. Emoluments of the Directors of Managing Agency Partners Limited

The directors of Managing Agency Partners Limited received the following aggregate remuneration charged to the syndicate and included within net operating expenses:

	£'000
Emoluments	815

The 2005 year of account has been charged with active underwriters' remuneration as follows:

	£'000
Emoluments – D E S Shipley (Active underwriter to 31 August 2007)	175
– R K Trubshaw (Active underwriter from 1 September 2007)	–
	175

Profit related remuneration in respect of all directors and staff is wholly paid and borne by the managing agent.

9. Investment Return

	£'000
Investment income	
Income from investments	15,298
Gains on the realisation of investments	4,734
	20,032
Investment expenses	
Investment management expenses, including interest	(1,317)
Losses on realisation of investments	(940)
	(2,257)

10. Balance on Technical Account

	£'000
Balance excluding investment return and operating expenses	
Profit attributable to business allocated to the 2005 pure year of account	89,832
Profit attributable to business reinsured into the 2005 year of account	8,717
	98,549
Allocated investment return transferred from the non-technical account	23,871
Net operating expenses	(94,101)
	28,319

11. Exchange Differences on Foreign Currency Translation

Exchange differences on foreign currency translation arise as follows:

	£'000
On 2005 balances brought forward	660
On RITC	(11,968)
On transactions during 2007: from average to year end rates	1,963
	(9,345)

12. Financial Investments

	Market value £'000	Cost £'000
Shares and other variable yield securities and units in unit trusts	25,694	24,634
Debt securities and other fixed income securities	159,581	158,677
Participation in investment pools	19,634	19,112
Other loans	28,356	28,259
Deposits with credit institutions	4,169	4,169
	237,434	234,851

13. Debtors

	£'000
Arising out of direct insurance operations:	
Due from policyholders	–
Due from intermediaries	4,164
Arising out of reinsurance operations	14,034
Members' agents' fees advances	959
Other	756
	19,913

14. Other Assets

Other assets comprise overseas deposits which are lodged as a condition of conducting underwriting business in certain countries.

15. Amounts Due to Members

	£'000
Profit for the 2005 closed year of account and amounts due to members at 31 December 2007	18,974

16. Creditors

	£'000
Arising out of direct insurance operations	
Policyholders	–
Intermediaries	269
Arising out of reinsurance operations	8,332
Other	4,034
Inter year loan	64,002
	76,637

17. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	£'000
Operating profit on ordinary activities for the closed year of account	28,319
Exchange differences on foreign currency translation	(9,345)
Realised and unrealised investments losses including exchange notes	7,770
Net reinsurance to close payable	219,351
(Increase) in debtors, prepayments and accrued income	(20,699)
Increase in creditors, accruals and deferred income	76,986
Net cash inflow from operating activities	302,382

18. Movement in Opening and Closing Portfolio Investments Net of Financing

	£'000
Net cash inflow	43,353
Cash flow – increase in overseas deposits	13,825
Cash flow – portfolio investments	245,204
Movement arising from cash flows	302,382
Changes in market value and exchange rates	(7,770)
Total movement in portfolio investments	294,612
Portfolio at 1 January 2005	–
Portfolio at 31 December 2007	294,612

Movement in cash, portfolio investments and financing

	At 1 January 2005 £'000	Cash flow £'000	Changes to market value and currencies £'000	**At 31 December 2007 £'000**
Cash at bank and in hand	–	43,353	–	**43,353**
Overseas deposits	–	13,825	–	**13,825**
Portfolio investments:				
Shares and other variable yield securities and units in unit trusts	–	23,444	2,250	**25,694**
Debt securities and other fixed income securities	–	170,108	(10,527)	**159,581**
Participation in investment pools	–	18,564	1,070	**19,634**
Other loans	–	28,350	6	**28,356**
Deposits with credit institutions	–	4,738	(569)	**4,169**
Total portfolio investments	–	245,204	(7,770)	**237,434**
Total cash, portfolio investments and financing	–	302,382	(7,770)	**294,612**

19. Net Cash Inflow/(Outflow) on Portfolio Investments

	£'000
Purchase of shares and other variable yield securities	(84,088)
Purchase of debt securities and other fixed income securities	(1,650,655)
Purchase of participation in investment pools	(20,941)
Movement in other loans	(28,350)
Movement of deposits with credit institutions	(4,738)
Sale of shares and other variable yield securities	60,644
Sale of debt securities and other fixed income securities	1,480,547
Sale of participation in investment pools	2,377
Net cash (outflow) on portfolio investments	(245,204)

20. Related Parties

The managing agent, MAP, is a wholly owned subsidiary of Managing Agency Partners Holdings Limited, the equity of which is 90.1% owned by MAP Equity Limited, a company that is entirely owned by the staff of the managing agency and syndicate.

The executives' interests in the ordinary share capital of MAP Equity Limited, which has a share capital of £250,000, during 2007 were as follows:

	A Shares (voting)	B Shares (non-voting)
D E S Shipley (resigned 31 August 2007, as executive director of Managing Agency Partners Ltd)	30,000	–
R K Trubshaw	26,250	–
A Kong	18,750	–
J D Denoon Duncan	–	8,333
B S McAuley	–	12,500
C J Smelt (appointed 1 September 2007)	–	2,500
R J Sumner	–	8,334

MAP Capital Limited commenced underwriting on the 2001 year of account. For the 2005 year of account MAP Capital Limited provided £108,437,500 of capacity on Syndicate 2791 representing 33.3% of capacity. MAP has no direct interest in the share capital of MAP Capital Limited.

Managing agency fees amounting to £1,790,567 were paid to MAP for the 2005 year and profit commission of £4,033,359 is also due to the managing agency in respect of the profit of the 2005 closed year. Expenses totalling £5,876,605 were recharged to this year of account.

Certain functions in relation to administration and systems have been sub-contracted to companies related to Omni Bridgeway BV which has a 9.9% interest in the shares of the intermediate parent company, Managing Agency Partners Holdings Limited. These arrangements are on an arms length basis. The charges for these services for the 2005 year of account totalled £877,000.

There are no other transactions or arrangements requiring disclosure.

21. Contingent Liabilities

Litigation

In the course of conducting insurance business, the syndicate receives claims in respect of its underwriting activities and becomes involved in actual or threatened litigation arising therefrom including actions in respect of subrogation, asset recovery or coverage disputes. Prudent estimates of costs arising in the defence of all these claims have been made in these accounts. The board of the managing agent considers each action carefully and appropriate provisions are made accordingly. There are provisions amounting to £311,000 at the year end.

Letters of credit

The syndicate has provided letters of credit to certain insureds and reinsureds to cover losses that might arise on their contracts written in the ordinary course of business. These amount to US$14.4 million; the letters of credit are fully collateralised with cash deposits held by Citibank, on the syndicate's account, of US$14.5 million.

SYNDICATE 2791

Annual Report and Financial Statements under UK GAAP
Year ended 31 December 2007

DIRECTORS AND ADMINISTRATION

MANAGING AGENT

Managing Agent
Managing Agency Partners Limited (MAP)

Directors
C E Dandridge (Non-executive)
J D Denoon Duncan
H R Dumas (Non-executive)
A S Foote (Non-executive)
A Kong
B S McAuley
D E S Shipley (Non-executive Chairman)
C J Smelt
R J Sumner
R K Trubshaw (Active Underwriter)

Company Secretary
B S McAuley

Managing Agent's Registered Office
110 Fenchurch Street
London
EC3M 5JT

Managing Agent's Registration
Registered in England; number: 03985640

SYNDICATE

Active Underwriter
D E S Shipley (To 31 August 2007)
R K Trubshaw (From 1 September 2007)

Principal Investment Managers
BlackRock, Inc

Registered Auditors
Ernst & Young LLP, London

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The directors of the managing agent present their report for the year ended 31 December 2007.

The principal activity of the syndicate is that of writing insurance and reinsurance business.

This annual report is prepared using the annual basis of accounting as required by Statutory Instrument No. 3219 of 2004, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004 ('the 2004 Regulations').

Separate underwriting year accounts for the closed 2005 year of account are attached to these accounts in the section headed Underwriting Year Distribution Accounts (pages 4 to 25).

UNDERWRITER'S REPORT

A Review of the Calendar Year Result

These financial statements are prepared focusing on the calendar year results under UK Generally Accepted Accounting Practices (GAAP) for insurance companies rather than the underwriting year figures prepared prior to 2005.

The 2007 calendar year produced a GAAP profit of £113.8 million (2006: profit £110.8 million) on earned premiums of £373.3 million gross of acquisition and reinsurance costs.

All years of account contributed to this result. Favourable development on the non-catastrophic component of the 2006 underwriting year of account constitutes the largest proportion, whilst 2005 and prior years were affected by an adverse ruling on storm surge in respect of the 2005 hurricanes albeit offset by the investment income for this year. There was a modest improvement on 2004 and prior years and a strong result from the earned component of the 2007 underwriting year of account in spite of conservative loss ratio assumptions and some late notifications of losses on the World Trade Center attack. The table below sets out the contribution of each year of account to the profit for the period of £113.8 million.

Movement on underwriting years of account during the 2007 calendar year

	2004 and prior periods £'000	2005 £'000	2005 and prior periods £'000	2006 £'000	2007 £'000	**Total £'000**	2006 £'000
Gross written premium	(6,350)	(6,251)	(12,601)	12,588	342,212	**342,199**	450,059
Net premium earned	(5,340)	12,319	6,979	139,222	181,575	**327,776**	393,291
Net claims incurred	12,230	(8,115)	4,115	(43,666)	(86,004)	**(125,555)**	(188,615)
Acquisition costs	1,355	(3,380)	(2,025)	(34,399)	(43,518)	**(79,942)**	(89,375)
	8,245	824	9,069	61,157	52,053	**122,279**	115,301
Operating expenses	(352)	(3,790)	(4,142)	(13,728)	(18,833)	**(36,703)**	(29,790)
Investment income	–	14,031	14,031	10,569	3,663	**28,263**	25,310
Annual accounted profit	7,893	11,065	18,958	57,998	36,883	**113,839**	110,821
Currency translation differences	101	1,860	1,961	(55)	341	**2,247**	(6,558)
Total recognised gains and losses	7,994	12,925	20,919	57,943	37,224	**116,086**	104,263
As previously reported		(1,946)	(1,946)	66,168	–	**64,222**	4,350
Cumulative pure year result		10,979	18,973	124,111	37,224	**180,308**	108,613
Distributions and advances						**(29,547)**	(649)
Members' balances						**150,761**	107,964
Net annual accounting ratios:							
Claims ratio						**38%**	48%
Expense ratio						**36%**	30%
Combined ratio						**74%**	78%

A Review of the Calendar Year Result *continued*

With no major catastrophe losses in 2007, and despite softening rates and lower premium volumes, property reinsurance was the major contributor to the calendar year result, although there were profits in all major lines of business, notably the casualty classes, auto and marine as well as property insurance.

There is a considerable volume of premium to be earned in 2008 and unless there is a return to the frequency of natural perils losses seen in 2005 the year should perform satisfactorily.

Written premium in the calendar year by syndicate classification

	2007 Gross written £'000	2007 Net written £'000	2006 Gross written £'000	2006 Net written £'000
Direct and facultative property	51,452	41,267	70,964	54,556
Property reinsurance	158,969	125,531	185,378	163,861
Third party liability	44,058	43,638	71,682	71,630
Accident and health	12,505	12,288	17,708	17,685
Marine and offshore energy	37,604	37,359	50,515	50,467
War, terrorism and political	10,465	10,479	9,991	9,994
Specialist lines	6,222	6,010	9,939	9,571
Motor	20,924	21,033	33,882	33,683
Total	342,199	297,605	450,059	411,447

2005 Hurricanes – Katrina, Rita and Wilma

The magnitude and complexity of the 2005 hurricanes merits specific comment. The reserves set in 2006 have proved robust and our combined position for the three hurricanes at 31 December is set out below (translated at current rates of exchange):

2005 Hurricane events

	Ultimate loss At 31 December 2007 £m	Ultimate loss At 31 December 2006 £m	Ultimate loss At 31 December 2005 £m
Gross loss	203.9	199.7	161.3
Net reinstatement premium payable	6.6	6.9	5.5
Net reinsurance recoverable	(107.6)	(101.8)	(92.5)
Total net loss	102.9	104.8	74.3
The gross loss above comprises:			
Paid and outstanding claims	192.6	187.7	137.1
IBNR	11.3	12.0	24.2

Current Trading Conditions

Virtually all areas of our business are softening, and we estimate many classes in which we do not participate as being written below cost. Our response is to defend each risk down to the minimum acceptable technical margin, and no further. Early indications for 2008 indicate that premium volume will fall significantly, although the achieved rates remain satisfactory. Given that one of the best technically rated areas remains US catastrophe business, we renewed the 30% quota share cession to Syndicate 6103 for the 2008 year of account. This enables Syndicate 2791 to be more efficient in managing its net appetite for catastrophic risk.

Sub Prime and Credit Issues

The syndicate's casualty account is largely made up of professional liability covers written on claims made forms on annual contracts. We do not directly write banks, rating agencies or accountants, and our directors and officers book is

de minimis. There will likely be some errors and omissions exposure to diversified financial institutions, but at this moment in time we do not foresee a material impact.

The Future

Our performance over the last few years has largely been due to our technical pricing discipline. We require deliberately high margins because a large part of our business involves protection against severity or volatility that does not occur on a predictable, annual basis. When the market is fearful post-loss, capacity shrinks and prices rise, we evaluate the improved rate per unit of exposure and grow accordingly (2005–6). Equally, when the market looks in the rear-view mirror and sees good results it wants more, whereas we, faced with a weakened rate per unit of exposure, shrink accordingly (2007–8). In the initial downturn we will lose business that makes money in a non-cat year, but the key point is that each year that is profitable drives down the prices for the subsequent year until the inevitable happens, the market loses money and the cycle turns again. This is the call we are making for 2008. If nothing happens we will shrink again for 2009, and so on. Our job is to play the percentages and protect the franchise. We are not prepared to assume under-priced risk, because we don't know when the loss will occur. Anyone who does the opposite – i.e. grow market share in a falling market – merely guarantees to have the largest share of the loss at the lowest rates.

In consequence, we will remain an owner-managed independent underwriting business using private capital to respond in a rapid and flexible way to the challenges the market presents. Blessed with low expenses and an enduring reputation for prompt, efficient service, we are well placed to manage this stage of the market cycle.

FINANCIAL REPORT

Investment Return

The syndicate investment portfolio in terms of risk and return can be viewed in three distinct pots: cash or cash equivalents, fixed income securities and equity funds. Our investment philosophy is to ensure that the more conservative investments match the insurance liabilities. We do not subscribe to the theory that matching the durations of our liabilities with assets is necessarily a good thing, nor is it mandatory for our business. We do seek to maximise our investment return by adjusting the asset mix within our risk appetite.

The money markets were subject to a great deal of uncertainty and volatility during the second half of 2007. The lack of liquidity was caused initially by the sub-prime crisis in the US which quickly took on a global aspect. We had instructed our principal investment advisers to divest our portfolio of all holdings in mortgage backed securities (other than those issued by the US Government) at the end of 2006. Before the spread of the liquidity crisis to the UK, we came out of Asset Backed Securities and Asset Backed Commercial Paper despite the very short duration (typically 45 days) of our holdings in these stocks. Despite our pro-active management of these funds, our return on liquid funds has inevitably suffered from the turmoil in the money markets. The return on the portfolio was 2.47% in the second half of 2007 and 3.29% in the first half, driven by lower returns on the equity portfolio. We have also sought to minimise the uncertainty as regards the valuation of the investments where the mark to market basis is not readily available by disposing of our holdings in these instruments.

Our investment philosophy is to manage our return to a 1 in 200 probability of it not being less than zero in any calendar period. We intend, over the next year, to reduce our investments in short duration fixed income assets and add well researched credit securities to the portfolio. In our view the amount we could have been paid for taking credit risk over the last couple of years has been inadequate and therefore we took little credit risk. The financial markets are starting to better price credit risk and the yield available verses the risk taken is reaching an acceptable level. We intend to take advantage of the increasing yield, on assets in excess of those required to pay insurance losses, by adding specific credit funds to the portfolio.

Our investment return contributed £28.3 million (2006: £25.3 million) to the annual result.

Investment Return *continued*

This is a 24% increase over 2006 at constant rates of exchange, and reflects both an 18% increase in our invested assets and an increased return on those assets.

Our equity portfolio is allocated to six managers. The overall return in the year of 5.8% (2006: 16%) equals the S&P 500 return (2006: 13.6%), gross of investment expenses.

The syndicate undertakes no lending of securities and does not undertake exchange rate management. Lloyd's are custodians of our overseas deposits over which we have no control. Lloyd's have lent certain of our securities during the year. As the syndicate makes profit payments in both US Dollars and GB Pounds, we do not seek to hedge exchange exposure.

Reinsurance Debtors

Recoverables from reinsurers have fallen to £39 million (2006: £47 million), as a result of a lack of catastrophes during 2007 and the collections against our 2005 hurricane losses flowing though well. Our reinsurance debtors on paid claims are only £4.3 million, of which £4.0 million is due from requests made to reinsurers within 90 days of the year end. Of the above, balances due from Syndicate 6103 of £181,267 are fully supported by cash.

There are no provisions for bad debts on the syndicates' reinsurance balances.

An analysis of the security rating for the debtors on our balance sheet at 31 December is set out below.

Debt table by security rating

Standard & Poor's rating	On paid claims £m	On outstanding claims £m	On IBNR £m	**2007 Total £m**	2006 Total £m
AA and above	1.6	14.4	8.2	**24.2**	30.2
A	2.0	4.3	6.5	**12.8**	12.9
BBB	–	–	–	**–**	–
BB and below	0.7	0.8	0.2	**1.7**	4.0
	4.3	19.5	14.9	**38.7**	47.1

Our reinsurance security committee has authorised the use of a number of the insurance companies set up after the 2005 hurricanes. These companies have either no, or a low, Standard and Poor's security rating. As a result they are only accepted on to the syndicate's reinsurance programme if they offer acceptable alternative direct security (Letters of Credit or syndicate specific trust accounts). Of the debtors in the table above with a rating lower than BB, the syndicate has access to £18.4 million of assets as security should the reinsurer fail to pay valid claims when they fall due.

Risk Management

We have established a risk management framework whose primary objective is to protect the syndicate from events which negatively impact current and future returns.

Principal Risks

Insurance risk

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover, that the frequency or severity of insured events will be higher than expected, or that estimates of claims subsequently prove to be insufficient.

Underwriting strategy is agreed by the Board and set out in the Syndicate Business Plan which is submitted to Lloyd's each year. Processes are in place to identify, quantify and manage aggregate exposures and technical prices within each of our underwriting classes. Reinsurance is purchased, where appropriate to our risk appetite and reduces the retained financial impact of catastrophic loss. Reserves set are subject to stress testing and independent review.

Credit risk

Credit risk is the risk of default or the inability of one or more of the syndicate's reinsurers or brokers to settle their debts as they fall due.

Reinsurance is only placed with security that meets the criteria agreed by the Board. Use is made of independent rating agencies. Business is only accepted through accredited Lloyd's brokers who are reviewed by the Agency's Security Committee and business accepted via binding authority is subject to a process of rolling review. Aggregate exposure to any counterparty is monitored regularly and a robust system of credit control is in place, itself subject to the internal Security Committee. Exposure to investment counterparties is monitored by a specialist investment reporting company and reviewed by the Investment Committee. This Committee includes a non-executive director with expertise in US fund management. Investment guidelines are set and monitored in view of the syndicate's liability exposures and their durations.

Liquidity risk

This is the risk that the syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash. Liquidity management forms an important part of the financial management practices of the syndicate. Cash flow projections and budgetary controls are maintained and reported upon to the Board.

Market risk

Market risk is the potential adverse financial impact of changes in value of financial instruments caused by fluctuations in foreign currency, interest rates or equity prices. The potential impact of market risk elements is reported to the Board and the potential financial impact of changes in market value is monitored through the ICA process.

Foreign currency exchange risk

We operate from the United Kingdom but over 90% of our premiums and claims are settled in currencies other than sterling. Our reported financial results are denominated in sterling and are therefore affected by the exchange rate against sterling of our main currency assets (USD, EUR and CAD). The syndicate settles it surplus assets in both sterling and USD as each underwriting year closes or earlier if a solvency transfer is approved. We do not therefore seek to hedge the USD exposure. Other currencies are tracked against sterling to ensure the amount of exposure is monitored and if needed appropriate action taken.

Equity price risk

We are subject to equity price risk due to changes in the market value of equities. This risk is managed by spreading the investments of equities over a number of investment managers who each specialise in a market sector or type of investment evaluation. The performance of each fund is monitored by the Investment Committee.

Interest rate risk

Interest rate risk arises primarily from the value of our investments. For example debt and fixed income securities are exposed to actual fluctuations or changes in market perception of current or future interest rates. Exposure to interest rate risk is monitored though the use of Value-at-Risk analysis, scenario testing, stress testing and duration reviews. Interest rate risk is managed by matching of assets and liabilities to within five years.

Operational risk

Operational risk is the potential adverse financial and reputational impact of inadequate or failed internal processes, people and systems or from external events. An internal risk assessment process has been developed to assess the potential impact and probability of certain events and a system of internal controls has been implemented to mitigate the risks. These controls have been monitored by Senior Management and the Board whilst their ongoing effectiveness is validated through both the ongoing risk assessment and internal audit process.

CORPORATE GOVERNANCE

Directors and Directors' Interests

The Directors of the managing agent who served during the year ended 31 December 2007 together with their participations on the syndicate were as follows:

	2007 year of account £'000	2006 year of account £'000
J D Denoon Duncan (Chairman to 31 August 2007) [1]	175	150
H R Dumas	531	462
A S Foote [2]	–	–
A Kong [1]	600	250
B S McAuley [1]	125	88
D E S Shipley (Active Underwriter to 31 August 2007 and Chairman from 1 September 2007) [1]	3,000	2,450
C Smelt (appointed 1 September 2007) [1]	200	n/a
R J Sumner [1]	125	75
R K Trubshaw (Active Underwriter from 1 September 2007) [1]	1,250	988

C E Dandridge was appointed to the Board on 11 February 2008.

(1) Participate via MAP Capital Limited, an unaligned corporate member.

(2) A S Foote, a non-executive director of MAP, is a managing director of Steadfast Advisors, the management company for Steadfast Capital LP, which participates on the syndicate through MAP Capital Limited.

The total capacity of the 2007 year of account of the syndicate was £459,121,037.

AGM

As permitted under the Syndicate Meetings (Amendment No. 1) Byelaw (No. 18 of 2000) MAP does not propose to hold a Syndicate Annual General Meeting of the members of the syndicate. Members may object to this proposal or the intention to reappoint auditors within 21 days of the issue of these accounts. Any such objection should be addressed to B S McAuley, Compliance Director, at the registered office.

Disclosure of Information to the Auditors

So far as each person who was a director of the managing agent at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with its report, of which the auditor is unaware. Having made enquiries of fellow directors of the agency and the syndicate's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

The managing agent intends to reappoint Ernst & Young LLP as the syndicate's auditors.

By order of the Board

R K Trubshaw
Active Underwriter
Managing Agency Partners Limited
London

B S McAuley
Secretary

18 March 2008

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The managing agent is responsible for preparing the syndicate annual report and annual accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004 require the managing agent to prepare syndicate annual accounts at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The annual accounts are required by law to give a true and fair view of the state of affairs of the syndicate as at that date and of its profit or loss for that year.

In preparing the syndicate annual accounts, the managing agent is required to:

1. select suitable accounting policies which are applied consistently;
2. make judgements and estimates that are reasonable and prudent;
3. state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and
4. prepare the annual accounts on the basis that the syndicate will continue to write future business unless it is inappropriate to presume that the syndicate will do so.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the syndicate annual accounts comply with the 2004 Regulations. It is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT

to the Members of Syndicate 2791

We have audited the syndicate's annual accounts for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes 1 to 24. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the syndicate's members, as a body, in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004. Our audit work has been undertaken so that we might state to the syndicate'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 syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Managing Agent and Auditors

The managing agent's responsibilities for the preparation of the annual accounts in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Managing Agent's Responsibilities.

Our responsibility is to audit the annual accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the annual accounts give a true and fair view and have been properly prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004. We also report to you whether, in our opinion, the information given in the Report of the Directors of the Managing Agent is consistent with the annual accounts. In addition we report to you if, in our opinion, the managing agent in respect of the syndicate has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding remuneration of directors of the managing agent and other transactions is not disclosed.

We read the Report of the Directors of the Managing Agent and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the annual accounts. It also includes an assessment of the significant estimates and judgements made by the directors of the managing agent in the preparation of the annual accounts, and of whether the accounting policies are appropriate to the syndicate's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the annual accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the syndicate's affairs as at 31 December 2007 and of its profit for the year then ended;
- the annual accounts have been properly prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004; and
- the information given in the Report of the Directors of the Managing Agent is consistent with the annual accounts.

Ernst & Young LLP
Registered Auditor
London

18 March 2008

PROFIT AND LOSS ACCOUNT TECHNICAL ACCOUNT – GENERAL BUSINESS

for the year ended 31 December 2007

	Notes	£'000	2007 £'000	£'000	2006 £'000
Earned premiums, net of reinsurance					
Gross premiums written	3		342,199		450,059
Outward reinsurance premiums			(44,594)		(38,612)
Net premiums written			297,605		411,447
Change in the provision for unearned premiums:					
Gross amount		31,052		(22,806)	
Reinsurers' share		(881)		4,650	
Change in the net provision for unearned premiums			30,171		(18,156)
Earned premiums, net of reinsurance			327,776		393,291
Allocated investment return transferred from the non-technical account			28,263		25,310
Claims incurred, net of reinsurance					
Claims paid					
Gross amount	3	(158,740)		(217,837)	
Reinsurers' share		20,142		90,406	
Net claims paid		(138,598)		(127,431)	
Change in the provision for claims					
Gross amount	3	18,420		9,387	
Reinsurers' share		(5,377)		(70,571)	
Change in the net provision for claims		13,043		(61,184)	
Claims incurred, net of reinsurance			(125,555)		(188,615)
Acquisition expenses		(79,942)		(89,375)	
Reinsurers' commissions and profit participations		2,908		1,016	
Operating expenses	5	(39,611)		(30,806)	
Net operating expenses	3		(116,645)		(119,165)
Balance on the technical account for general business			113,839		110,821

All operations are continuing.

PROFIT AND LOSS ACCOUNT NON-TECHNICAL ACCOUNT

for the year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Balance on the general business technical account		**113,839**	110,821
Investment income	*8*	**24,548**	16,897
Unrealised gains on investments		**10,390**	11,647
Unrealised losses on investments		**(3,757)**	(642)
Investment expenses and charges	*8*	**(2,918)**	(2,592)
Allocated investment return transferred to general business technical account		**(28,263)**	(25,310)
Profit for the financial year		**113,839**	110,821

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Profit for the financial year		**113,839**	110,821
Exchange difference on foreign currency translation	*10*	**2,247**	(6,558)
Total recognised gains and losses since the last annual report		**116,086**	104,263

BALANCE SHEET ASSETS

at 31 December 2007

	Notes	£'000	2007 £'000	£'000	2006 £'000
Investments					
Financial investments	11		492,336		478,534
Reinsurers' share of technical provisions					
Provision for unearned premiums		9,372		10,375	
Claims outstanding	4	34,454		40,194	
			43,826		50,569
Debtors					
Debtors arising out of direct insurance operations	12	26,324		33,521	
Debtors arising out of reinsurance operations	12	97,722		116,698	
Other debtors	13	6,851		8,693	
			130,897		158,912
Other assets					
Cash at bank and in hand			70,036		30,515
Other	14		19,181		18,553
Prepayments and accrued income					
Accrued interest		1,286		1,073	
Deferred acquisition costs		32,238		39,294	
Other prepayments and accrued income		522		1,831	
			34,046		42,198
Total assets			790,322		779,281

BALANCE SHEET LIABILITIES

at 31 December 2007

	Notes	£'000	2007 £'000	£'000	2006 £'000
Capital and reserves					
Members' balances	*15*		150,761		107,964
Technical provisions					
Provision for unearned premiums		141,826		174,302	
Claims outstanding	*4*	425,145		445,929	
			566,971		620,231
Creditors					
Creditors arising out of direct insurance operations	*16*	621		1,284	
Creditors arising out of reinsurance operations	*16*	38,799		25,182	
Other creditors	*17*	32,041		23,493	
			71,461		49,959
Accruals and deferred income			1,129		1,127
Total liabilities			790,322		779,281

The financial statements on pages 37 to 52 were approved by the Board of Managing Agency Partners Limited on 18 March 2008 and were signed on its behalf by:

R K Trubshaw
Active Underwriter

R J Sumner
Finance Director

18 March 2008

CASH FLOW STATEMENT

for the year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Net cash inflow from operating activities	*18*	113,325	174,366
Transfer to members in respect of underwriting participations:			
Continuous solvency transfer		(29,548)	–
Profits distributed		(42,892)	(44,023)
		40,885	130,343
Cash flows were invested as follows:			
Increase in cash holdings	*19*	36,929	8,513
Increase in deposits	*20*	511	3,679
Net portfolio investment	*20*	3,445	118,151
Net investment of cash flows		40,885	130,343

NOTES TO THE ACCOUNTS

for the year ended 31 December 2007

1. Basis of Preparation

These financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004, and applicable Accounting Standards in the United Kingdom and comply with the Statement of Recommended Practice on Accounting for Insurance Business issued in December 2005 (as amended in December 2006) by the Association of British Insurers.

The result for the year is determined on the annual basis of accounting in accordance with UK GAAP.

2. Accounting Policies

Premiums written

Premiums written comprise premiums on contracts incepted during the financial year as well as adjustments made in the year to premiums written in prior accounting periods. Premiums are shown gross of certain acquisition costs payable to intermediaries and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due to the syndicate not yet notified. Differences between such estimates and actual amounts will be recorded in the period in which the actual amounts are determined.

Unearned gross premiums

Written premiums are recognised evenly over the term of the contract for those contracts where the incidence of risk does not vary over the term. Contracts where the incidence of risk differs over the term are earned based on 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 the basis of established earnings patterns or time apportionment as appropriate.

Acquisition costs

Acquisition costs, comprising commission and other direct or indirect costs related to the acquisition of insurance contracts are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

Reinsurance premium ceded

Outwards reinsurance purchased consists of excess of loss contracts and proportional reinsurance contracts. Initial excess of loss premiums are accounted for in the year of inception. Premiums ceded to reinstate reinsurance cover or additional premiums payable on loss are recognised when they may be assessed with reasonable certainty. Proportional outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Unearned reinsurance premium

Reinsurance premiums paid to purchase excess of loss reinsurance contracts are earned evenly over the period at risk. Proportional reinsurance premiums are earned in the same accounting period as the inwards business being reinsured.

Claims provisions and related recoveries

Claims paid comprise claims and claim handling expenses paid during the period.

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years. The provision for claims outstanding is assessed on an individual case and class basis, as appropriate, and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported ('IBNR') at the balance sheet date based on statistical methods.

These methods generally involve projecting from past experience of 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. 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 amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

2. Accounting Policies *continued*

Claims provisions and related recoveries *continued*

The reinsurers' share of provisions for claims is based on the amounts of outstanding claims and projections for IBNR, net of a provision for reinsurance bad debt, having regard to the reinsurance programme in place for each class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. A number of statistical methods are used to assist in making these estimates.

The two most critical assumptions 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 for current business are fair reflections of the likely level of ultimate claims to be incurred.

The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the 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 methods used, and the estimates made, are reviewed regularly.

Reinsurance bad debt

Bad debts are provided for only where specific information becomes available to suggest a debtor may be unable or unwilling to settle its debts to the syndicate. Specific information may be directly attributed to the debtor company or may be indirect information from a rating agency or other source. The provision is calculated on a case by case basis.

Unexpired risks provision

A provision for unexpired risks is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date may exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account relevant future investment return. The provision for unexpired risks is included in technical provisions in the balance sheet.

Foreign currency translation

Transactions in US dollars, Canadian dollars and Euros are translated at the average rates of exchange for the period. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

In accordance with SSAP20, Foreign Currency Translation, assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date or if appropriate at the forward contract rate.

All exchange differences arising on retranslation of opening balances and between average and year-end rates are included in the statement of total recognised gains and losses.

The following rates of exchange have been used in the preparation of these accounts.

	2007		2006	
	Year end	Average	Year end	Average
USD	1.99	2.00	1.96	1.84
CAD	1.96	2.15	2.28	2.09
EUR	1.36	1.46	1.48	1.47

Investments

Listed and other quoted investments are stated at current value at the balance sheet date. For this purpose listed and quoted investments are stated at market value and deposits with credit institutions are stated at cost.

The cost of syndicate investments is deemed to be the aggregate of market value at the previous balance sheet date of those investments still held at the current balance sheet date, and purchases during the period.

2. Accounting Policies *continued*

Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and market value at the previous balance sheet date, or purchase price if acquired during the year. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year.

Allocation of investment return

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments relate to the technical account.

Operating expenses

Where expenses are incurred by or on behalf of the managing agent on the administration of managed syndicates, these expenses are apportioned using varying methods depending on the type of expense. Expenses which are incurred jointly for the agency company and managed syndicates are apportioned between the agency company and the syndicates on bases depending on the amount of work performed, resources used and the volume of business transacted. Syndicate operating expenses are allocated to the year of account for which they are incurred.

Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the syndicate during the year are included in the balance sheet under the heading 'other debtors'.

No provision has been made for any overseas tax payable by members on underwriting results.

Pension costs

MAP operates a defined contribution scheme. Pension contributions relating to syndicate staff are charged to the syndicate and included within net operating expenses.

Profit commission

Profit commission is charged by the managing agent at a rate of 17.5%, subject to the operation of a deficit clause. This does not become payable until after the appropriate year of account closes, normally at 36 months.

3. Segmental Analysis

An analysis of the underwriting result before investment return is set out below:

2007	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expense £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
Accident and health	9,753	10,972	(4,108)	(4,629)	(148)	2,087	13,965
Motor (third party liability)	4,858	5,032	(3,471)	(1,471)	(54)	36	9,987
Motor (other classes)	6,709	9,563	(4,788)	(3,948)	1,033	1,860	15,975
Marine, aviation and transport	29,683	30,722	(13,881)	(8,503)	1,298	9,636	45,117
Fire and other damage to property	48,558	51,050	(13,804)	(15,753)	(7,259)	14,234	49,013
Third party liability	12,033	15,614	(10,432)	(5,358)	71	(105)	65,652
Other	287	380	(38)	(185)	(347)	(190)	2,153
	111,881	123,333	(50,522)	(39,847)	(5,406)	27,558	201,862
Reinsurance accepted	230,318	249,918	(89,798)	(76,798)	(25,304)	58,018	321,283
	342,199	373,251	(140,320)	(116,645)	(30,710)	85,576	523,145

2006	Gross written premiums £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expense £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
Accident and health	14,479	13,882	(3,129)	(4,859)	24	5,918	13,260
Motor (third party liability)	8,119	6,758	(3,048)	(1,998)	(111)	1,601	8,483
Motor (other classes)	15,422	17,278	(10,614)	(4,341)	(164)	2,159	22,238
Marine, aviation and transport	42,259	35,985	(19,835)	(9,008)	(1,153)	5,989	49,152
Fire and other damage to property	62,968	59,562	(26,168)	(16,371)	(7,643)	9,380	52,556
Third party liability	22,410	21,575	(6,908)	(7,245)	(196)	7,226	70,705
Other	683	777	(1,375)	(198)	396	(400)	3,023
	166,340	155,817	(71,077)	(44,020)	(8,847)	31,873	219,417
Reinsurance accepted	283,719	271,436	(137,373)	(75,145)	(5,280)	53,638	350,245
	450,059	427,253	(208,450)	(119,165)	(14,127)	85,511	569,662

All premiums were concluded in the UK.

	2007 £'000	2006 £'000
Acquisition costs on gross direct premiums earned	23,543	34,384

The geographical analysis of premiums, by destination is as follows:

	2007 £'000	2006 £'000
UK	8,607	18,225
Other EU countries	15,383	29,767
US	237,813	301,627
Other	80,396	100,440
Total	342,199	450,059

Other, above, includes worldwide income of £53,304,000 (2006: £59,331,000).

4. Claims Outstanding

A positive run-off of £22.2 million on the 2006 and prior years' reserves (2005 and prior: £18.4 million) was experienced during 2007. This change to the previous years' reserves is 12% of the net provisions brought forward. The change in the year was due to a favourable run-off during the year of our reinsurance and third party liability accounts.

	2007 £'000	2006 £'000
Gross outstanding claims	185,220	217,887
Reinsurance recoveries anticipated	(19,543)	(28,407)
Net outstanding claims	165,677	189,480
Provision for gross claims incurred but not reported	236,897	225,538
Reinsurance recoveries anticipated	(14,911)	(11,787)
Provision for net claims incurred but not reported	221,986	213,751
Unallocated loss and loss adjustment expenses	3,028	2,504
Net reserves	390,691	405,735

5. Operating Expenses

	2007 £'000	2006 £'000
Personal expenses	9,299	8,199
Profit commission payable to managing agent	24,303	16,083
Other administrative expenses	5,603	6,444
Loss on exchange	406	80
	39,611	30,806

Administrative expenses include:

	2007 £'000	2006 £'000
Auditors' remuneration		
Fees for the audit of the syndicate	185	167
Taxation compliance services	16	9
Actuarial consultancy services	156	147
Additional work on the Report and Accounts of the syndicate	–	3

Personal expenses comprise managing agent's fees, profit commission, Lloyd's subscriptions and Central fund contributions.

6. Staff Numbers and Costs

All staff are employed by the managing agency. The following amounts were recharged to the syndicate in respect of salary costs:

	2007 £'000	2006 £'000
Wages and salaries	3,115	3,012
Social security costs	355	336
Other pension costs	311	297
	3,781	3,645

Included above are the employment costs of underwriters attibutable to acquisition of business and those of claims staff treated within the technical account as Acquisition Costs and Loss Adjustment Expenses respectively.

The average number of employees employed by the managing agency but working for the syndicate during the year was as follows:

	2007 Number	2006 Number
Administration and finance	19	19
Underwriting	22	22
Claims	4	4
	45	45

Profit related remuneration in respect of all directors and staff is wholly paid and borne by the managing agent.

7. Emoluments of the Directors of Managing Agency Partners Ltd

The directors of MAP received the following aggregate remuneration charged to the syndicate and included within net operating expenses:

	2007 £'000	2006 £'000
Emoluments	863	845

The active underwriter received the following remuneration charged as a syndicate expense:

	2007 £'000	2006 £'000
Emoluments – D E S Shipley (Active underwriter to 31 August 2007)	135	198
– R K Trubshaw (Active underwriter from 1 September 2007)	65	–
	200	198

8. Investment Return

	2007 £'000	2006 £'000
Investment income		
Income from investments	18,146	12,540
Gains on the realisation of investments	6,402	4,357
	24,548	16,897
Investment expenses		
Investment management expenses, including interest	2,065	1,161
Losses on the realisation of investments	853	1,431
	2,918	2,592

9. Calendar Year Investment Yield

	2007 £'000	2006 £'000
Average syndicate funds available for investment	528,840	479,396
Investment return, gross of investment expenses	30,328	26,471
Analysis of calendar year investment yield by currency		
Sterling	5.2%	5.0%
United States dollars	6.2%	5.7%
Canadian dollars	4.2%	3.9%
Euros	1.2%	3.4%
Combined	5.8%	5.5%

10. Exchange Differences on Foreign Currency Translation

Exchange differences on foreign currency translation arise as follows:

	2007 £'000	2006 £'000
On balances brought forward	(1,124)	(294)
On transactions during 2007: from average to year end rates	(1,123)	(6,264)
	(2,247)	(6,558)

11. Financial Investments

	Market value		Cost	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Shares and other variable yield securities and units in unit trusts	53,838	123,015	51,615	118,518
Debt securities and other fixed income securities	334,369	280,965	332,475	280,492
Participation in investment pools	35,979	23,206	34,653	22,161
Other loans	59,414	36,434	59,210	36,416
Deposits with credit institutions	8,736	14,914	8,736	14,914
	492,336	478,534	486,689	472,501

In 2006, other loans included loans to the Lloyd's New Central Fund. These loans were repaid during 2007.

Included above are listed investments amounting to £76,720,000 (2006: £58,577,000) of which equities amount to £40.7m and participations in investment pools £36m. We have not used any modelling in the valuations of these funds.

12. Debtors Arising out of Insurance Operations

	2007 £'000	2006 £'000
Arising out of direct insurance		
Due from policyholders	–	–
Due from intermediaries – due within one year	26,290	33,521
– due after one year	34	–
	26,324	33,521

Debtors arising out of reinsurance operations includes £273,338 (2006: £29,581) due after one year.

13. Other Debtors

	2007 £'000	2006 £'000
Due within one year		
Outstanding settlements on investments	–	3,833
Commissions and overrider receivable	1,938	420
Foreign taxes	863	1,450
Members' agents fees funded	958	850
Other	75	61
	3,834	6,614
Due after one year		
Inter syndicate debt	630	–
Foreign taxes	–	16
Members' agents fees funded	2,387	2,063
	3,017	2,079
	6,851	8,693

14. Other Assets

	2007 £'000	2006 £'000
Overseas deposits	19,181	18,553

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries.

15. Reconciliation of Members' Balances

	2007 £'000	2006 £'000
Members' balances brought forward at 1 January	107,964	49,096
Profit for the financial year	113,839	110,821
Exchange rate difference – members' balances	2,247	(6,558)
– continuous solvency transfers	453	90
Reclassification of members' agents fees	(850)	(1,462)
Continuous solvency transfers	(30,000)	–
Payments of profit to members' personal reserve funds	(42,892)	(44,023)
Members' balances carried forward at 31 December	150,761	107,964

Members participate on syndicates by reference to years of account and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year.

16. Creditors Arising Out of Insurance Operations

	2007 £'000	2006 £'000
Arising out of direct insurance operations		
Policyholders	–	–
Intermediaries – due within one year	616	1,284
– due after one year	5	–
	621	1,284

Creditors in respect of reinsurance operations of £38.8m (2006: £25.2m) include amounts due after one year of £17.2m (2006: nil), all of which are due from Syndicate 6103.

17. Other Creditors

	2007 £'000	2006 £'000
Outstanding settlement on investments	2	–
Profit commissions	31,988	23,452
Other	51	41
	32,041	23,493

Of the profit commissions above, £27,955,000 (2006: £14,036,000) falls due after one year.

18. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	2007 £'000	2006 £'000
Operating profit on ordinary activities	113,839	110,821
Realised and unrealised investments (gains)/losses including exchange rates	(13,065)	47,090
(Increase)/decrease in net technical provisions	(46,517)	14,503
Decrease in debtors	36,167	33,223
Increase/(decrease) in creditors	21,504	(23,341)
Exchange differences on foreign currency translation	2,247	(5,746)
Movement on members' balances	(850)	(2,184)
Net cash inflow from operating activities	113,325	174,366

19. Movement in Opening and Closing Portfolio Investments Net of Financing

	2007 £'000	2006 £'000
Net cash inflow for the year	36,929	8,513
Cash flow – portfolio investments	3,956	121,830
Movement arising from cash flows	40,885	130,343
Changes in market value and exchange rates	13,065	(47,090)
Total movement in portfolio investments	53,950	83,253
Portfolio at 1 January	527,603	444,350
Portfolio at 31 December	581,553	527,603

20. Movement in Cash, Portfolio Investments and Financing

	At 1 January 2007 £'000	Cash flow £'000	Changes to market value and currencies £'000	At 31 December 2007 £'000
Cash at bank and in hand	30,515	36,929	2,592	70,036
Overseas deposits	18,553	511	117	19,181
Portfolio investments:				
Shares and other variable yield securities and units in unit trusts	123,015	(73,564)	4,387	53,838
Debt securities and other fixed income securities	280,965	51,557	1,847	334,369
Participation in investment pools	23,206	10,050	2,723	35,979
Other loans	36,435	21,448	1,531	59,414
Deposits with credit institutions	14,914	(6,046)	(132)	8,736
Total portfolio investments	478,535	3,445	10,356	492,336
Total cash, portfolio investments and financing	527,603	40,885	13,065	581,553

Loans to the Lloyd's New Central Fund, which had been included with Other Loans, have been repaid during the year.

21. Net Cash Inflow/(Outflow) on Portfolio Investments

	2007 £'000	2006 £'000
Purchase of shares and other variable yield securities	(20,779)	(59,960)
Purchase of debt securities and other fixed income securities	(1,381,656)	(1,898,791)
Purchase of participation in investment pools	(10,050)	(11,330)
Deposits with credit institutions	6,046	7,253
Other loans	(21,448)	(33,870)
Sale of shares and other variable yield securities	94,343	28,910
Sale of debt securities and other fixed income securities	1,330,099	1,841,456
Sale of participation in investment pools	–	8,181
Net cash (outflow) on portfolio investments	(3,445)	(118,151)

22. Related Parties

The managing agent, MAP, is a wholly owned subsidiary of Managing Agency Partners Holdings Limited, the equity of which is 90.1% owned by MAP Equity Limited, a company that is entirely owned by the staff of the managing agency and syndicate.

MAP also manages Syndicate 6103. The underwriting business of Syndicate 6103 is derived solely under a reinsurance contract with Syndicate 2791. Under the terms of this contract, Syndicate 6103 is obliged to accept 30% of all business written by Syndicate 2791 under certain categories of its property catastrophe book. Syndicate 2791 retains the balance of these contracts net for its own account.

Syndicate 2791 receives a ceding commission of 5% of the original gross net premiums written and ceded to Syndicate 6103; additionally, an overriding commission of 1.5% of Syndicate 6103's capacity is received to cover personal expenses of Syndicate 6103 names borne by Syndicate 2791. A profit commission of 15% of profits, as defined in the contract, is payable to MAP. All funds are retained and invested by Syndicate 2791 on behalf of Syndicate 6103 and interest is payable (or charged on negative balances) to Syndicate 6103 at rates agreed.

During 2007, the following transactions between the syndicates occurred:

	2007 £'000
Premiums ceded	18,141
Paid claims recovered	180
Ceding commission	907
Overriding commission	631
Interest paid	283
Interest received	22

Managing agency fees amounting to £2,528,000 were paid to MAP during 2007 (2006: £2,200,000) and profit commission of £24,303,000 (2006: £16,083,000) is also due to the managing agency in respect of the results for this calendar year. Expenses totalling £6,558,000 (2006: £5,903,000) have been recharged during the year.

The executives' interests in the ordinary share capital of MAP Equity Limited, which has a share capital of £250,000, during 2007, were as follows:

	A Shares (voting)	B Shares (non-voting)
D E S Shipley (resigned 31 August 2007, as executive director of Managing Agency Partners Ltd)	30,000	–
R K Trubshaw	26,250	–
A Kong	18,750	–
J D Denoon Duncan	–	8,333
B S McAuley	–	12,500
C J Smelt (appointed 1 September 2007)	–	2,500
R J Sumner	–	8,334

22. Related Parties *continued*

Messrs Shipley, Denoon Duncan, Kong, Trubshaw, Sumner, Smelt and Ms McAuley participate on Syndicate 2791 via a dedicated, but unaligned to the managing agent, corporate member MAP Capital Limited. MAP Capital Limited commenced underwriting on the 2001 year of account. For the 2007 year of account MAP Capital Limited provided £128,737,500 of capacity on Syndicate 2791 (2006: £120,375,500) representing 28.0% of capacity (2006: 30.1%). MAP has no direct or indirect interest in the share capital of MAP Capital Limited.

Certain functions in relation to administration and systems had been sub-contracted to companies related to Omni Bridgeway BV which has a 9.9% interest in the shares of the intermediate parent company, Managing Agency Partners Holdings Limited. These arrangements are on an arms length basis. The charges for these services in 2007 totalled £113,000 (2006: £468,000).

There are no other transactions or arrangements requiring disclosure.

23. Funds at Lloyd's

Every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on FSA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the managing agent, no amount has been shown in these financial statements by way of such capital resources. However, the managing agent is able to make a call on the members' FAL to meet liquidity requirements or to settled losses.

24. Contingent Liabilities

Litigation

In the course of conducting insurance business, the syndicate receives claims in respect of its underwriting activities and becomes involved in actual or threatened litigation arising therefrom including actions in respect of subrogation, asset recovery or coverage disputes. Prudent estimates of costs arising in the defence of all these claims have been made in these accounts. The board of the managing agent considers each action carefully and appropriate provisions are made accordingly. There are provisions amounting to £311,000 (2006: £686,000) at the year end.

Letters of credit

The syndicate has provided letters of credit to certain insureds and reinsureds to cover losses that might arise on their contracts written in the ordinary course of business. These amount to US$17.2 million; the letters of credit are fully collateralised with cash deposits held by Citibank, on the syndicate's account, of US$17.4 million.

MAP

Managing Agency Partners Ltd
Syndicate 2791 at Lloyd's

110 Fenchurch Street
London EC3M 5JT
UK

Tel: +44 (0)20 7709 3860
Fax: +44 (0)20 7709 3861

www.mapunderwriting.co.uk
email: map@mapunderwriting.co.uk