

SYNDICATE 6103

Report and Financial Statements
31 December 2007

MAP

Underwriting at Lloyd's

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CHAIRMAN'S REPORT

As detailed in the Underwriter's report, the syndicate enjoyed benign claims experience in 2007. The utilisation of its risk capacity on the Atlantic seaboard of the USA, and the pricing achieved, vindicate the decision to form a new syndicate to accept US catastrophe exposures. It has shown itself to be a highly efficient means of generating additional capacity in a class of business at short notice, and is a tribute to the rapid response of capital providers and their advisers, managers at MAP, and Lloyd's and FSA staff alike.

While market conditions continue to soften, we believe there is still sufficient margin available in this specialist class to warrant continuation into 2008, although it would be unwise to speculate any further ahead.

D E S Shipley

Chairman

18 March 2008

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

R K Trubshaw

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 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').

The syndicate commenced underwriting for the 2007 year of account and all its business is written by way of a 30% quota share of all US property catastrophe business (other than terrorism and retrocession business) ceded by Syndicate 2791.

The syndicate is charged a 5% ceding commission on all gross premiums written under the contract and an overriding commission of up to 1.5% of its capacity to cover Lloyd's levies and subscriptions. The syndicate does not pay any brokerage costs. A profit commission of 15% of any underwriting profit is payable to the managing agent.

The syndicate retains all business net for its own account. The maximum exposure appetite is managed to 125% of capacity, after reinstatement premium, in any one of Lloyd's mandated Realistic Disaster Scenarios.

During 2007, the syndicate has accepted premiums amounting to £18.1 million and paid ceding commission of £907,000 and overriding commission of £631,000 to Syndicate 2791. All the syndicate's funds are held by Syndicate 2791 which makes payments of liabilities on the syndicate's behalf. The syndicate has been credited with US\$569,000 and EUR2,000 in respect of interest on funds held by Syndicate 2791 and has been charged £22,000 in respect of net sterling balances funded by Syndicate 2791. The rates of interest credited to the syndicate are those achieved by Syndicate 2791 on its own funds and the rates charged are relevant British Bankers' Association rates +1.5%.

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 Practice (GAAP) for insurance companies rather than the underwriting year figures.

The 2007 calendar year produced a GAAP profit of £8.7 million on earned premiums of £16.2 million. All the syndicate's business comprises US property catastrophe risks. Although there was a benign windstorm season and no other major catastrophe losses in 2007, there remains residual exposure into 2008.

The key performance indicators of the syndicate are set out below for the 2007 underwriting year of account during the 2007 calendar year

	2007 year of account £'000
Gross written premium	18,141
Net premium earned	16,217
Operating expenses	3,072
Annual accounted profit	8,688
Claims ratio	29.1%
Expense ratio	18.9%
Combined ratio	48.0%

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

continued

The written premium in the calendar year all falls within the property reinsurance classification maintained by the syndicate

	2007 Gross and net written £'000
Property reinsurance	18,141

There are no non-financial key performance indicators relevant to the specific circumstances of this syndicate.

Current Trading Conditions

The syndicate was formed in response to the hard market for US property catastrophe business to assume an additional line to that written by Syndicate 2791. The property excess of loss reinsurance class is written with very strict technical analysis, and, while rates held up well in 2007, the best opportunities tended to occur on higher layers. This resulted in less working level risk but consequently a lower overall premium volume than anticipated. The syndicate attained its maximum risk appetite for hurricane risk on the Atlantic seaboard, but had spare capacity for other exposure zones.

The Future

It was determined that there remains reasonable profit expectation in this class. The syndicate was therefore reconstituted for the 2008 year of account and the 30% quota share of Syndicate 2791's US catastrophe book renewed on the same terms. It is likely that premium volume will fall further as rates soften and cedants retain more exposures net for their own account. Our technical parameters remain unaltered.

FINANCIAL REPORT

Investment Return

The investment return is represented by the syndicate's share of income earned by Syndicate 2791 on balances (underwriting, non-technical and balance sheet funding) received or paid on Syndicate 6103's behalf. Income receivable or chargeable is calculated monthly on average balances actually received or paid by Syndicate 2791 at relevant rates for each currency as set out in the reinsurance agreement.

The investment return contributed £261,000 to the annual result.

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 Syndicate 2791's principal investment advisers to divest our portfolio of all holdings in mortgage backed securities (other than those issued by the US Government or US Agency) 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, the return on our 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 using a risk appetite currently set at no greater than zero 99.5% of the time. We intend, over the next year, to reduce our investments in short duration fixed income assets and add well researched credit 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.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

continued

Investment Return *continued*

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 US Dollars, we do not seek to hedge exchange exposure.

Reinsurance

The syndicate does not purchase any reinsurance protections.

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

Syndicate 6103 accepts business under a funds withheld reinsurance contract with Syndicate 2791. The majority of the principal risks applying to Syndicate 6103 are managed within Syndicate 2791.

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 brokers to settle their debts as they fall due.

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 all 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 will settle its 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.

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

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

continued

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
J D Denoon Duncan (Chairman to 31 August 2007) ⁽¹⁾	5
H R Dumas (Non executive)	30
A S Foote (Non executive) ⁽²⁾	–
A Kong ⁽¹⁾	25
B S McAuley ⁽¹⁾	13
D E S Shipley (Non executive Chairman from 1 September 2007) ⁽¹⁾	204
C Smelt (appointed 1 September 2007) ⁽¹⁾	10
R J Sumner ⁽¹⁾	13
R K Trubshaw (Active Underwriter) ⁽¹⁾	127

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

(1) Participate via Nomina No. 208 LLP, 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 £42,711,295.

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

18 March 2008

B S McAuley

Secretary

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 6103

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 17. 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
Earned premiums, net of reinsurance			
Gross premiums written	3		18,141
Change in the provision for unearned premiums:			
Gross amount			(1,924)
Earned premiums, net of reinsurance			
Allocated investment return transferred from the non-technical account			
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	3	(180)	
Change in the provision for claims			
Gross amount	3	(4,538)	
Claims incurred, net of reinsurance			
Ceding and overriding commission			
Operating expenses			
Net operating expenses			
Balance on the technical account for general business			

All operations are continuing.

PROFIT AND LOSS ACCOUNT NON-TECHNICAL ACCOUNT

for the year ended 31 December 2007

	Note	2007 £'000
Balance on the general business technical account		8,688
Investment income	7	261
Allocated investment return transferred to general business technical account		(261)
Profit for the financial year		8,688

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2007

	Note	2007 £'000
Profit for the financial year		8,688
Exchange difference on foreign currency translation	9	45
Total recognised gains and losses since the last annual report		8,733

BALANCE SHEET ASSETS

at 31 December 2007

	Note	£'000	2007 £'000
Investments			
Financial investments			–
Debtors			
Debtors arising out of reinsurance operations – due after one year		17,140	
Other debtors	10	259	
			17,399
Other assets			
Other			–
Prepayments and accrued income			
Accrued interest		–	
Other prepayments and accrued income		–	
			–
Total assets			17,399

BALANCE SHEET LIABILITIES

at 31 December 2007

	Notes	£'000	2007 £'000
Capital and reserves			
Members' balances	11		8,733
Technical provisions			
Provision for unearned premiums		1,934	
Claims outstanding	4	4,561	
			6,495
Creditors			
Creditors arising out of reinsurance operations			
– due after one year		–	
Other creditors	12	2,171	
			2,171
Accruals and deferred income			
			–
Total liabilities			17,399

The financial statements on pages 10 to 19 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
Net cash inflow from operating activities	13	–
Transfer to members in respect of underwriting participations:		
Continuous solvency transfer		–
Profits distributed		–
		–
Cash flows were invested as follows:		
Increase in cash holdings		–
Increase in deposits		–
Net portfolio investment	14	–
Net investment of cash flows		–

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 inception 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

The syndicate is not charged with acquisition costs.

Claims provisions

Claims paid comprise claims and claims 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.

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 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.

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.

NOTES TO THE ACCOUNTS

continued

2. Accounting Policies *continued*

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	
	Year end	Average
USD	1.99	2.00
CAD	1.96	2.15
EUR	1.36	1.46

Investments

The syndicate does not hold any investments.

Investment return

Investment return comprises an allocation, calculated on the monthly average of the Total Funded Paid Experience balance (equivalent to the premiums received, claims paid, ceding commission, interest expenses and income). This return is equal to the rate of investment return achieved by Syndicate 2791 on its premium funds during the relevant month and is equal to the gross return on its Credit for Reinsurance Fund for USD denominated balances. Interest on other currency positive balances is credited at rates achieved by Syndicate 2791 on those currencies for the relevant month.

If the average balance is negative, an interest expense is calculated on the monthly average at the relevant six month inter-bank rate plus 1.5%. The whole of the return is treated as investment income.

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.

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.

NOTES TO THE ACCOUNTS

continued

2. Accounting Policies *continued*

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 15%. This does not become payable until after the appropriate year of account closes, normally at 36 months.

3. Segmental Analysis

All the syndicate's business, as set out in the technical account, is classified as reinsurances accepted and all premiums were concluded in the UK.

The geographical destination of premiums is the USA.

4. Claims Outstanding

This is the first year of underwriting for the syndicate.

	2007 £'000
Gross outstanding claims	354
Provision for gross claims incurred but not reported	4,207
Unallocated loss and loss adjustment expenses	–
Reserves	4,561

5. Operating Expenses

All syndicate expenses, including audit fees, are charged to and borne by Syndicate 2791 for which the syndicate is charged a ceding commission of 5% of gross premiums written. Personal expenses are also charged to Syndicate 2791 but these are covered by an equivalent charge of 1.5% of syndicate capacity.

A profit commission of 15% of profits for each Underwriting Year of Account is payable to the managing agency.

	2007 £'000
Profit commission payable to managing agent	1,541
Profit on exchange	(7)
	1,534

6. Staff Numbers and Costs

All staff are employed by the managing agency. No recharge of salaries for staff or in respect of directors' remuneration is made specifically to the syndicate – all such charges are made to Syndicate 2791 and covered by the ceding commission as set out in note 5 above.

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

7. Investment Return

	2007 £'000
Investment income	261

NOTES TO THE ACCOUNTS

continued

8. Calendar Year Investment Yield

	2007 £'000
Average syndicate funds available for investment	4,915
Investment return	261

Analysis of calendar year investment yield by currency

United States dollars	5.9%
Canadian dollars	4.4%
Euros	(4.3%)
Combined	5.3%

The syndicate borrowed sterling to cover its sterling expenses and interest was paid at an average rate of 7.6% (1.5% over GBP LIBOR) during the year.

9. Exchange Differences on Foreign Currency Translation

Exchange differences on foreign currency translation arise as follows:

	2007 £'000
On transactions during 2007: from average to year end rates	45

10. Other Debtors

	2007 £'000
Due after one year	
Members' agents fees funded	259

11. Reconciliation of Members' Balances

	2007 £'000
Profit for the financial year	8,733
Exchange rate difference – members' balances	–
– continuous solvency transfers	–
Continuous solvency transfers	–
Members' balances carried forward at 31 December	8,733

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.

12. Other Creditors – Falling Due After One Year

	2007 £'000
Profit commissions	1,541
Due to Syndicate 2791	630
	2,171

NOTES TO THE ACCOUNTS

continued

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

	2007 £'000
Operating profit on ordinary activities	8,688
Increase in technical provisions	6,495
(Increase) in debtors	(17,399)
Increase in creditors	2,171
Exchange differences on foreign currency translation	45
Movement on members' balances	–
Net cash inflow from operating activities	–

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

	2007 £'000
Net cash inflow from the year	–
Cash flow – portfolio investments	–
Movement arising from cash flows	–
Changes in market value and exchange rates	–
Total movement in portfolio investments	–
Portfolio at 1 January	–
Portfolio at 31 December	–

The syndicate operates on a funds withheld basis with Syndicate 2791, hence this syndicate has no cash flows for its own account.

15. Related Parties

All the syndicate's transactions are with or via Syndicate 2791, which is also managed by the managing agent, MAP. All business ceded by Syndicate 2791 is accepted on an arm's length basis and the main terms of the reinsurance contract are set out in the Report of the Directors of the Managing Agent.

During 2007, the following transactions between the syndicates occurred:

	2007 £'000
Premiums receivable	18,141
Paid claims	(180)
Ceding commission	(907)
Override commission	(631)
Net interest received	261

Profit commission of £1,541,000 is due to the managing agency in respect of the results for this calendar year.

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.

NOTES TO THE ACCOUNTS

continued

15. Related Parties *continued*

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

Messrs Shipley, Denoon Duncan, Kong, Trubshaw, Sumner, Smelt and Ms McAuley participate on Syndicate 6103 via a dedicated, but unaligned to the managing agent, corporate member, Nomina No. 208 LLP. Nomina No. 208 LLP commenced underwriting on the 2007 year of account. For the 2007 year of account Nomina No. 208 LLP provided £396,155 of capacity on Syndicate 6103 representing 0.9% of capacity. MAP has no direct or indirect interest in Nomina No. 208 LLP.

There are no other transactions or arrangements requiring disclosure.

16. 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.

17. 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 are made as required. The board of the managing agent considers each action carefully and appropriate provisions are made accordingly. There are no such provisions required at the year end.

MAP Managing Agency Partners Ltd
Syndicate 6103 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