ACE CAPITAL V LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2009

COMPANY REGISTRATION NUMBER. 2949447

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

The directors are pleased to submit their report and the audited financial statements for the year to 31 December 2009

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company is that of a corporate underwriting member of Lloyd's The profit for the year to 31 December 2009 before taxation amounted to £73,322,000 (2008 loss before taxation of £26,660,000) and, as disclosed in note 16 to the financial statements (the reconciliation of movement in shareholder's funds), the shareholder's funds of the company total £95,231,000 (2008 £37,820,000)

FUTURE DEVELOPMENTS

The company participates exclusively on Syndicate 2488 which is managed by ACE Underwriting Agencies Limited, a fellow subsidiary undertaking of ACE Global Markets Limited This activity is expected to continue for the foreseeable future The company's participations on Syndicate 2488 for the 2007, 2008, 2009 and 2010 years of account are as follows

2007 allocated capacity		2008 allocated capacity		2009 allocated capacity		2010 allocated capacity	
Total £'000	Company's participation £'000	Total £'000	Company's participation £'000	Total £'000	Company's participation £'000	Total £'000	Company's participation £'000
400,000	**164,771**	330,000	**135,936**	340,000	**140,055**	400,000	**164,771**

PRINCIPAL RISKS AND UNCERTAINTIES

The company is subject to financial risks by virtue of its participation on the syndicate These risks are managed by the syndicate's managing agent, on behalf of the syndicate, as described in the Managing Agent's Report contained within Syndicate 2488's Report and Annual Accounts as at 31 December 2009

KEY PERFORMANCE INDICATORS (KPIs)

The company's KPIs are derived from the performance of Syndicate 2488 and are not managed separately Accordingly the KPIs, which include those of the company, are discussed within the Business Review in Syndicate 2488's Report and Annual Accounts as at 31 December 2009

RESULTS AND DIVIDENDS

The profit for the year to 31 December 2009 after taxation amounted to £52,789,000 (2008 loss after taxation of £19,016,000) The directors do not recommend the payment of a dividend (2008 £Nil)

DIRECTORS

The following have been directors from 1 January 2009 to the date of this report unless otherwise indicated

ACE London Group Limited	
P M Curtis	(Resigned 30 September 2009)
M T Reynolds	(Appointed 11 December 2009)
K L H Underhill	(Appointed 1 October 2009)

The company has the benefit of a group insurance company management activities policy effected by ACE Limited No charge was made to the company during the year for this policy

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 - continued

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the company's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a director at the date of this report confirms that

i) So far as each of them is aware, there is no information relevant to the audit of the company's financial statements for the year ended 31 December 2009 of which the auditors are unaware, and

ii) The director has taken all steps that he/she ought to have taken in his/her duty as a director in order to make him/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

AUDITORS

The company's auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office

By Order of the Board

for and on behalf of
ACE London Services Limited
Secretary, 6 April 2010

ACE Building
100 Leadenhall Street
London
EC3A 3BP

01/04/10 14 00

INDEPENDENT AUDITORS' REPORT

to the members of ACE Capital V Limited

We have audited the financial statements of ACE Capital V Limited for the year ended 31 December 2009 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the accounting policies and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 2 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Nick Wilks (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6 April 2010

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 £'000	2008 £'000
TECHNICAL ACCOUNT – GENERAL BUSINESS			
EARNED PREMIUMS, NET OF REINSURANCE.			
Gross premiums written	2	164,883	179,866
Outward reinsurance premiums		(43,654)	(47,171)
Net premiums written		121,229	132,695
Change in the gross provision for unearned premiums		4,617	13,844
Change in the provision for unearned premiums – reinsurers' share		(387)	(4,454)
EARNED PREMIUMS, NET OF REINSURANCE		125,459	142,085
ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT	4	44,585	(19,729)
CLAIMS INCURRED, NET OF REINSURANCE			
Claims paid			
Gross amount	2	(136,239)	(164,933)
Reinsurers' share		33,382	55,300
Net paid claims		(102,857)	(109,633)
Change in the provision for claims outstanding			
Gross amount	2	49,375	19,257
Reinsurers' share		(8,395)	(11,517)
Change in the net provision for claims outstanding		40,980	7,740
CLAIMS INCURRED, NET OF REINSURANCE		(61,877)	(101,893)
Net operating expenses	5	(34,653)	(46,100)
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS		73,514	(25,637)

All of the above results derive from continuing operations

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009 – continued

	Note	2009 £'000	2008 £'000
NON-TECHNICAL ACCOUNT			
BALANCE ON THE GENERAL BUSINESS TECHNICAL ACCOUNT		73,514	(25,637)
Investment income	7	32,076	35,214
Unrealised gains on investments	7	45,576	13,286
Investment expenses and charges	7	(15,528)	(11,759)
Unrealised losses on investments	7	(17,534)	(56,462)
Allocated investment return transferred to the general business technical account	4	(44,585)	19,729
Other income	8	775	-
Other charges, including value adjustments	9	(972)	(1,031)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		73,322	(26,660)
Tax on profit/(loss) on ordinary activities	10	(20,533)	7,644
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	15, 16	52,789	(19,016)

All of the above results derive from continuing operations

There is no difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

		2009 £'000	2008 £'000
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		52,789	(19,016)
Currency translation differences		6,420	8,934
Movement on deferred tax relating to currency translation differences		(1,798)	(2,501)
TOTAL RECOGNISED GAINS/(LOSSES) FOR THE FINANCIAL YEAR	15, 16	57,411	(12,583)

BALANCE SHEET AT 31 DECEMBER 2009

	Note	2009 £'000	2008 £'000
ASSETS			
INVESTMENTS			
Intangible assets	11	3,196	3,553
Other financial investments	12	458,021	466,255
		461,217	469,808
REINSURERS' SHARE OF TECHNICAL PROVISIONS			
Provision for unearned premiums		14,953	16,640
Claims outstanding		191,535	217,674
		206,488	234,314
DEBTORS – amounts falling due within one year			
Debtors arising out of direct insurance operations amounts owed by intermediaries		43,256	42,801
Debtors arising out of reinsurance operations		22,212	32,506
Other debtors	13	50,123	23,630
		115,591	98,937
DEBTORS – amounts falling due after one year			
Debtors arising out of direct insurance operations amounts owed by intermediaries		6	59
Debtors arising out of reinsurance operations		21	-
Other debtors	13	689	16,707
		716	16,766
OTHER ASSETS			
Cash at bank and in hand		6,057	20,017
PREPAYMENTS AND ACCRUED INCOME			
Deferred acquisition costs		12,391	14,750
Other prepayments and accrued income		3,865	4,735
		16,256	19,485
TOTAL ASSETS		806,325	859,327

BALANCE SHEET AT 31 DECEMBER 2009

	Note	2009 £'000	2008 £'000
LIABILITIES			
CAPITAL AND RESERVES			
Called-up share capital	14	4,284	4,284
Share premium account	15	38,552	38,552
Profit and loss account	15	52,395	(5,016)
TOTAL SHAREHOLDER'S FUNDS	16	95,231	37,820
TECHNICAL PROVISIONS			
Provision for unearned premiums		70,549	80,349
Claims outstanding		565,746	656,876
		636,295	737,225
DEPOSITS RECEIVED FROM REINSURERS		152	2,265
CREDITORS – amounts falling due within one year			
Creditors arising out of direct insurance operations		6,968	7,683
Creditors arising out of reinsurance operations		47,386	67,429
Bank loans and overdrafts		12,359	-
Other creditors including taxation and social security	17	3,974	6,616
		70,687	81,728
ACCRUALS AND DEFERRED INCOME		322	289
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred tax	18	3,638	-
TOTAL LIABILITIES		806,325	859,327

The financial statements on pages 4 to 18 were approved by the board of directors on 6 April 2010 and were signed on its behalf by

M T Reynolds

Director

COMPANY REGISTRATION NUMBER 2949447

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NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with the provisions of Schedule 3 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (' the Regulations"), and in accordance with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") dated December 2005 (as amended in December 2006), Technical Release 1/99 'Accounting by Lloyd's Corporate Capital Vehicles" ("TR 1/99") and applicable accounting standards in the United Kingdom The company is a wholly owned subsidiary within the ACE Limited group and is included within the consolidated financial statements of ACE Limited, which are publicly available Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 (revised) "Cash Flow Statements"

Under the terms of TR 1/99, the guidance contained in the ABI SORP should be followed so far as practicable having regard to the nature of Lloyd's business The exceptions to this principle relate to the presentation of exchange gains (paragraph 219) and investment return (paragraph 287) Consequently, there has been a departure from the ABI SORP in the company's financial statements in respect of these matters

In order for the corporate member to reflect the legal and practical separation of assets and transactions at syndicate level and at corporate undertaking level, syndicate transactions are generally presented in the technical account and corporate undertaking level transactions are presented in the non-technical account The ABI SORP permits the direct attribution of the investment return and exchange movements to the technical account in this way except as regards unrealised investment gains and losses However, because all syndicate investments are deemed to be realised at 31 December each year under TR 1/99, it is reasonable to regard all syndicate investment gains and losses as realised for the purposes of the ABI SORP Accordingly, the syndicate investment return and exchange movements have been attributed directly to the technical account

Basis of accounting for underwriting business

Preparing financial statements in accordance with Schedule 3 to the Regulations has required the company to recognise its proportion of all the transactions undertaken by the Lloyd's syndicate in which it participates ("the Syndicate") during the calendar year Similarly, its proportion of the syndicate's assets and liabilities has been reflected in its balance sheet The proportion referred to above is calculated by reference to the company's participation as a percentage of the syndicate's total capacity

Premiums written

Premiums written, which are stated gross of brokerage but exclusive of premium taxes, relate to business incepted during the year, together with adjustments made in the year to premiums written in prior accounting periods Estimates are made of pipeline premiums, representing amounts due but not yet received or notified to the company by intermediaries

Unearned premiums

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 risk profiles or time apportionment as appropriate

Acquisition costs

Acquisition costs comprise brokerage, commissions and other related costs, and are deferred over the period in which the related premiums are earned

Claims incurred

Claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect expenses and adjustments to claims outstanding from previous years Where applicable, deductions are made for reinsurance, salvage and other recoveries

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES-continued

Provision for claims outstanding and related reinsurance recoveries

The provision for claims outstanding is assessed on an individual case basis 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 reinsurers' share of the provision for claims outstanding 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

The two most critical assumptions as regards the provision for claims outstanding 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 provision for gross claims outstanding 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

When calculating the provision for claims outstanding, the reported business segments are subject to specific issues, as set out below

Fire and other damage to property, marine, aviation and transport, accident and health

These business segments are predominantly 'short tail", that is there is not a significant delay between the occurrence of the claim and the claim being reported to the company The costs of claims notified to the company at the balance sheet date are estimated on a case by case basis to reflect the individual circumstances of each claim The ultimate expected cost of claims is projected from this data by reference to statistics, which show how estimates of claims incurred in previous periods have developed over time to reflect changes in the underlying estimates of the cost of notified claims and late notifications

Third party liability (including marine and aviation liability)

Liability claims are longer tail than the classes of business described above and so a larger element of the provision for claims outstanding relates to IBNR. Claims estimates for the company's liability business are derived from a combination of loss ratio based estimates and an estimate based upon actual claims experience using a predetermined formula whereby greater weight is given to actual claims experience as time passes The initial estimate of the loss ratio based on the experience of previous years adjusted for factors such as premium rate changes and claims inflation, and on the anticipated market experience, is an important assumption in this estimation technique In respect of liability claims, the assessment of claims inflation and anticipated market experience is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort The liability class of business is also subject to the emergence of new types of latent claims but no allowance is included for this as at the balance sheet date

Reinsurance acceptances

This business segment includes both short tail and longer tail business, and is subject to the issues laid out in the preceding two sections

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, are expected to 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 investment return

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES-continued

Reinsurance to close

The reinsurance to close is technically a reinsurance contract and, as such, the payment of a reinsurance to close does not remove from members of that year of account ultimate responsibility for claims payable on risks they have written
If the company has increased its participation from one year of account to the next, the reinsurance to close paid is eliminated, as a result of this offset, leaving an element of the reinsurance to close received This reflects the fact that the company has assumed a greater proportion of the business of the syndicate If the company has reduced its participation from one year of account to the next, the reinsurance to close received is eliminated, leaving an element of the reinsurance to close paid This reflects the reduction in the company's exposure to risks previously written by the syndicate The excess representing the increase or reduction in percentage participation is shown in the technical account as gross premiums written or reinsurance premiums payable as appropriate and is represented in the balance sheet by the related share of assets and liabilities transferred between the two Lloyd's years of account of the managed syndicate

Syndicate investment income, expenses and charges

Syndicate investments and cash are held on a pooled basis, the return from which is allocated to underwriting years proportionately to the funds contributed by the year

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 FRS3 "Reporting Financial Performance" and the ABI SORP require that, for insurance entities, both realised investment gains and losses be included as part of investment return in the profit and loss account. Dividends receivable are accounted for by reference to the date on which the price of the investment is quoted ex-dividend Interest and expenses are accounted for on an accruals basis

Realised gains and losses on investments carried at bid value are calculated as the difference between net sale proceeds and purchase price Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price or, if they have previously been revalued, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period

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 to reflect the investment return on funds supporting underwriting business All syndicate investment gains and losses including those that are unrealised are attributed to the technical account in accordance with TR 1/99

Investments

Investments in marketable securities are stated at bid value on the balance sheet date For quoted investments where there is an active market, this is their quoted bid price at the balance sheet date For quoted investments where there is no active market, the bid value is determined by reference to prices for similar assets in active markets

Overseas deposits are stated at cost or market value, as notified by Lloyd's

Costs of capacity purchased at auction

The auction costs relating to syndicate capacity are treated as an intangible asset and written off through the profit and loss account in 20 equal annual instalments commencing in the financial year to which the capacity relates The carrying value of the asset is reviewed annually by the directors and a provision is made where necessary for any permanent impairment in the value of the capacity acquired

Taxation

UK taxation in the profit and loss account is based on the underwriting result and other income and charges of the year as determined in accordance with the relevant tax legislation, together with adjustments for prior years

Deferred tax

Deferred tax has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more tax in future, or a right to pay less tax in future An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain Deferred tax assets and liabilities recognised have not been discounted

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES-continued

Foreign currency transactions

Technical account transactions in US dollars and Canadian dollars are translated into sterling at the rates of exchange ruling at the balance sheet date, in accordance with the branch accounting provisions of Statement of Standard Accounting Policy 20 'Foreign Currency Translation" Non-technical account transactions and transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed All assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date

Exchange differences arising from the revaluation of syndicate net assets brought forward from the previous balance sheet date are included in the statement of recognised gains and losses Other exchange differences are included in the technical account, to the extent that they arise on syndicate transactions, or in the non-technical account.

2. SEGMENTAL ANALYSIS

Segmental information in the format required by Schedule 3 to the Regulations is as follows

	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000
Year to 31 December 2009					
Direct insurance					
Fire and other damage to property	44,428	45,423	(17,969)	(12,835)	(7,407)
Marine, aviation and transport	19,372	19,069	(12,612)	(4,545)	(1,101)
Accident and health	2,039	2,452	(1,287)	(1,134)	218
Third party liability	51,410	54,239	(29,196)	(10,967)	(8,966)
Miscellaneous	4,175	4,928	8,125	(1,995)	(7,459)
Reinsurance acceptances	43,459	43,389	(33,925)	(6,960)	9,444
TOTAL	164,883	169,500	(86,864)	(38,436)	(15,271)
Year to 31 December 2008					
Direct insurance					
Fire and other damage to property	50,834	55,586	(42,223)	(17,171)	(1,637)
Marine, aviation and transport	20,601	21,492	(13,758)	(5,622)	(993)
Accident and health	2,221	2,304	(1,524)	(815)	155
Third party liability	57,930	61,587	(54,390)	(13,835)	(416)
Miscellaneous	4,511	5,819	(1,736)	(2,101)	(762)
Reinsurance acceptances	43,769	46,922	(32,045)	(9,673)	(1,072)
TOTAL	179,866	193,710	(145,676)	(49,217)	(4,725)

The reinsurance balance represents the credit/(charge) to the technical account from the aggregate of all items relating to outwards reinsurance

All business is completed in the United Kingdom

NOTES TO THE FINANCIAL STATEMENTS

3. MOVEMENT IN PRIOR YEAR'S PROVISION FOR CLAIMS OUTSTANDING

The prior year's net provision for claims outstanding generated a surplus for 2009 (2008 surplus) as detailed below

	2009 £'000	2008 £'000
Direct insurance		
Fire and other damage to property	5,399	1,126
Marine, aviation and transport	1,849	674
Accident and health	664	212
Third party liability	2,858	(1,434)
Miscellaneous	2,107	747
Reinsurance acceptances	3,519	2,834
	16,396	4,159

4. ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT

	2009 £'000	2008 £'000
Syndicate investment income	19,937	25,640
Syndicate realised and unrealised gains less losses on investments	25,282	(44,710)
Investment management expenses	(634)	(659)
	44,585	(19,729)

5. NET OPERATING EXPENSES – TECHNICAL ACCOUNT

	2009 £'000	2008 £'000
Acquisition costs	31,576	33,878
Change in deferred acquisition costs	1,493	2,327
Administrative expenses	11,188	10,929
Reinsurance commissions	(3,783)	(3,117)
(Profit)/loss on exchange	(5,821)	2,083
	34,653	46,100

"Acquisition costs" includes total commissions for direct business amounting to £24,199,000 (2008 £26,158,000)

6 DIRECTORS AND EMPLOYEES

The company has no employees The directors received no emoluments for their services to the company (2008 £Nil)

All executive directors are entitled to shares in ACE Limited under long-term incentive plans During the year, two directors received shares in ACE Limited under long-term incentive plans and one director exercised options over the shares of ACE Limited

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENT RETURN

	2009 £'000	2008 £'000
Investment income		
Syndicate investment income	19,937	25,640
Gains on the realisation of syndicate investments	12,134	9,566
Other interest	5	8
	32,076	35,214
Investment expenses and charges		
Investment management expenses	(634)	(659)
Losses on the realisation of syndicate investments	(14,894)	(11,100)
	(15,528)	(11,759)
Net unrealised gains less losses on investments		
Unrealised gains on syndicate investments	45,576	13,286
Unrealised losses on syndicate investments	(17,534)	(56,462)
	28,042	(43,176)
TOTAL INVESTMENT RETURN	44,590	(19,721)

8. OTHER INCOME

	2009 £'000	2008 £'000
Exchange gain arising on retranslation of US dollar balances	775	-

9. OTHER CHARGES, INCLUDING VALUE ADJUSTMENTS

	2009 £'000	2008 £'000
Management charge	610	610
Amortisation of purchases of syndicate capacity	357	357
Exchange loss arising on retranslation of US dollar balances	-	60
Administrative expenses	5	4
	972	1,031

The management charge includes fees payable to the company's auditors for the following services

	2009 £'000	2008 £'000
Audit fees:		
Fees payable for the audit of the annual financial statements	4	4

NOTES TO THE FINANCIAL STATEMENTS

10. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

(a) Analysis of charge/(credit) in period

	2009 £'000	2008 £'000
Current tax		
Amounts payable to group undertakings in respect of profit commission waived	2,601	319
Prior year adjustments	-	(497)
Total current tax (note 10 (b))	2,601	(178)
Deferred tax (note 18)		
Origination and reversal of timing differences	17,933	(7,702)
Prior year adjustments	(1)	236
Total deferred tax	17,932	(7,466)
Tax on profit/(loss) on ordinary activities	20,533	(7,644)

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

The tax assessed for the period is lower (2008 higher) than the standard rate of corporation tax in the UK The differences are explained below

	2009 £'000	2008 £'000
Profit/(loss) on ordinary activities before taxation	73,322	(26,660)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 28 5%)	20,530	(7,598)
Effects of		
2006 (2008 2005) account result declared in year	7,293	5,044
Current year technical results not yet declared	(20,584)	7,307
Technical reserves disclaimed	-	(8,509)
Other timing differences	(1,049)	(770)
Prior year adjustments	-	(497)
Amounts payable to group undertakings in respect of profit commission waived	2,601	319
Losses (utilised)/carried forward	(6,122)	4,526
Non-taxable foreign exchange gain	(68)	-
Current tax charge/(credit) for period (note 10 (a))	2,601	(178)

(c) Factors that may affect the tax charge in future periods

The company has a net debtor (disclosed as ' Corporation tax" in note 13) in respect of United States and Canadian Federal Income Tax paid in 2009 and prior calendar years This debtor will be recovered by credit against future United Kingdom tax liabilities

NOTES TO THE FINANCIAL STATEMENTS

11. INTANGIBLE ASSETS

	2009 £'000	2008 £'000
Cost:		
Purchase costs of capacity at auction		
Balance at the beginning and at the end of the year	7,137	7,137
Amortisation:		
Balance at the beginning of the year	3,584	3,227
Charge for the year	357	357
Balance at the end of the year	3,941	3,584
Net book value at the end of the year	3,196	3,553

12. OTHER FINANCIAL INVESTMENTS

	2009 £'000	2008 £'000
Market value:		
Shares and other variable-yield securities and units in unit trusts	-	19,597
Debt securities and other fixed interest securities	411,815	404,711
Overseas deposits	39,193	41,947
Deposits with credit institutions	7,013	-
	458,021	466,255
Cost		
Shares and other variable-yield securities and units in unit trusts	-	24,169
Debt securities and other fixed interest securities	415,793	439,453
Overseas deposits	39,193	41,947
Deposits with credit institutions	7,013	-
	461,999	505,569

All securities are listed investments

The overseas deposits are held under Lloyd's premium trust deed arrangements where applicable and are administered by Lloyd's The syndicate is required to lodge deposits in various overseas insurance markets as a condition of conducting underwriting business in those markets All such overseas deposits are calculated in accordance with the relevant territorial authority's requirements, usually by reference to outstanding liabilities derived from business written in those territories Approximately 92% of the value of the deposits is invested in debt securities and other fixed interest securities, with the balance being held in deposits with credit institutions and cash

NOTES TO THE FINANCIAL STATEMENTS

13. OTHER DEBTORS

	2009 £'000	2008 £'000
Amounts falling due within one year:		
Amounts due from group undertakings	46,628	21,327
Other debtors	1,225	373
Corporation tax	2,270	1,930
	50,123	23,630
Amounts falling due after one year:		
Other debtors	689	615
Deferred tax (note 18)	-	16,092
	689	16,707

14. CALLED-UP SHARE CAPITAL

	2009 $'000	*2008 $'000*	2009 £'000	2008 £'000
Authorised, allotted, issued and fully paid 6,725,202 Ordinary shares of US$1	*6,725*	*6,725*	4,284	4,284
Share premium at US$9 per ordinary share	*60,527*	*60,527*	38,552	38,552

The company has met its Funds at Lloyd's requirement to support its underwriting capacity by way of a letter of credit to the value of £127,010,000 (2008 £72,255,000) The letter of credit has been arranged by ACE Limited and guaranteed by ACE Bermuda Insurance Ltd and ACE Tempest Reinsurance Ltd

15. RESERVES

	Share premium account £'000	Profit and loss account £'000
At 1 January 2009	38,552	(5,016)
Profit for the financial year	-	52,789
Currency translation differences net of deferred tax thereon	-	4,622
At 31 December 2009	38,552	52,395

NOTES TO THE FINANCIAL STATEMENTS

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2009 £'000	2008 £'000
Profit/(loss) for the financial year	52,789	(19,016)
Currency translation differences net of deferred tax thereon	4,622	6,433
Net addition to/(reduction in) shareholder's funds	57,411	(12,583)
Opening shareholder's funds	37,820	50,403
Closing shareholder's funds	95,231	37,820

17. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2009 £'000	2008 £'000
Amounts due to group undertakings in respect of group relief	2,601	319
Other creditors	1,373	6,297
	3,974	6,616

18. DEFERRED TAX (LIABILITY)/ASSET

	2009 £'000	2008 £'000
At 1 January	16,092	11,127
Movement in profit and loss account for period		
Prior year adjustment (note 10 (a))	1	(236)
(Additional provision)/utilisation (note 10 (a))	(17,933)	7,702
Movement in statement of total recognised gains and losses	(1,798)	(2,501)
At 31 December	(3,638)	16,092
Analysis of (liability)/asset at 31 December		
Technical results not declared	(13,826)	1,334
Other timing differences	2,847	1,296
Losses carried forward	7,341	13,462
Undiscounted deferred tax (liability)/asset as above	(3,638)	16,092
Disclosed within debtors (note 13)		
Amounts falling due after one year	-	16,092

NOTES TO THE FINANCIAL STATEMENTS

19. TRANSACTIONS WITH RELATED PARTIES

Advantage has been taken of the exemption provided in FRS 8 'Related Party Disclosures" from disclosing details of transactions with ACE Limited and its subsidiary undertakings

20. ULTIMATE HOLDING COMPANY

The company's immediate holding company is ACE Tarquin The ultimate holding company is ACE Limited, a company which is registered in Zurich, Switzerland and quoted on the New York Stock Exchange Copies of the ultimate holding company's consolidated accounts can be obtained from Investor Relations at ACE's executive offices at 17 Woodbourne Avenue, Hamilton HM 08, Bermuda.