MANAGING AGENCY PARTNERS LIMITED

FINANCIAL STATEMENTS

31st December 2009

Company Registration Number: 3985640

MANAGING AGENCY PARTNERS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST DECEMBER 2009

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

Principal Activity

The principal activity of the Company is that of a Managing Agent at Lloyd's. The Company manages syndicate 2791 and syndicate 6103, which is a special purpose reinsurance syndicate hosted by syndicate 2791.

Review of Business and Future Developments

The underwriting capacity on each open year during 2009 and the expected capacity on 2010 are as follows:

	Capacity			
	Year of account 2007 (£'m)	Year of account 2008 (£'m)	Year of account 2009 (£'m)	Year of account 2010 (£'m)
Syndicate 2791	460	401	404	505
Syndicate 6103	43	40	40	34

Capacity varies in each year due to the forecast rating environment in which the syndicates operate and it can be equated to the appetite of the syndicates to underwrite insurance. The company receives fees from syndicate 2791 and profit commission from both syndicates and is therefore partially dependant for its profitability on the performance of the syndicates. For the current period the majority of the company's profit commission is derived from the 2007 underwriting year.

Risks

The principal risk for Managing Agency Partners Ltd (MAP) is that Syndicates 2791 and 6103 produce an underwriting loss preventing them from remitting profit commission to the Agency. The Company mitigates this risk by planning to at least break even, even if no profit commission is received at all.

Credit risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash and temporary cash investments. The Company manages this risk by maintaining investment policies that restrict placement of these investments only to credit institutions with very low risk.

Liquidity risk

The Company manages its cash requirements to maximise interest income and minimise interest expense, whilst ensuring that the Company has sufficient liquid resources to meet the operating needs of its businesses.

Foreign currency risk

The Company's principal foreign currency exposure arises from the receipt of profit commission in US dollars. To minimise exposure the profit pool liability is settled in the currency it is received. The balance of US dollars is monitored and sometimes the exposure may be hedged in order to fix the cost in sterling. This hedging activity involves the use of foreign exchange forward contracts.

MANAGING AGENCY PARTNERS LIMITED

Results and Dividends

The profit for the period after taxation amounted to £5,273,651 (2008: £22,227,964). On 24th April 2009 the directors made an interim dividend payment of £15,799,388 (2008: £1,647,158) in respect of the period ending 31st December 2009. A retained loss of £10,525,737 (2008 profit: £20,580,806) has been transferred to reserves, resulting in total reserves of £18,806,711 (2008: £29,332,448).

Directors

The following directors have served throughout the year.

C. Dandridge (non executive director)
J.D. Denoon Duncan
H.R. Dumas (non executive director)
A.S. Foote (non executive director)
A. Kong
B.S. McAuley
D.E.S. Shipley (non executive chairman)
C.J. Smelt
R.J. Sumner
R.K. Trubshaw

Auditors

An elective resolution has been passed allowing the Company to dispense with the requirement to reappoint the auditors on an annual basis.

Statements as to Disclosure of Information to Auditors

The directors have taken all necessary steps to make ourselves aware, as directors, of any relevant information and to establish that the auditors are aware of that information.

As far as the directors are aware, there is no relevant information of which the Company's auditors are unaware.

Registered Office

The registered office of Managing Agency Partners Limited is 110 Fenchurch Street, London, EC3M 5JT.

By Order of the Board

B.S. McAuley
Secretary
110 Fenchurch Street,
London EC3M 5JT

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29th January 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which 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 judgments and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records that 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.

Independent auditor's report to the member of Managing Agency Partners Limited

We have audited the financial statements of Managing Agency Partners Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet 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 Directors' Responsibilities Statement set out on page 3, 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 (APB's) Ethical Standards for Auditors. This report is made solely to the company's member in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on the 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 the 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.

Mazars LLP, Chartered Accountants (Statutory auditor)
Andrew Hubbard (Senior statutory auditor)
Tower Bridge House
St Katharine's Way
London
E1W 1DD

29th January 2010

MANAGING AGENCY PARTNERS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR TO 31ST DECEMBER 2009

	Notes	2009 £	2008 £
Turnover	1&2	21,255,060	35,238,915
Administrative expenses		(12,355,228)	(11,613,163)
Other operating income – exchange (loss) / gain		(1,558,449)	7,226,251
Operating Profit	4	**7,341,383**	**30,852,003**
Other interest receivable and similar income	5	14,161	352,434
Interest payable	6	(17,768)	(2,518)
Profit on ordinary activities before taxation		**7,337,776**	**31,201,919**
Tax on profit on ordinary activities	7	(2,064,125)	(8,973,955)
Profit on ordinary activities after taxation		**5,273,651**	**22,227,964**
Dividends	8	**(15,799,388)**	**(1,647,158)**
Retained (Loss)/Profit for the period		**(10,525,737)**	**20,580,806**
Retained Profit at the beginning of the period		29,332,448	8,751,642
Retained Profit at the end of the period		**18,806,711**	**29,332,448**

All of the above results derive from continuing operations.

There is no difference between the profit on ordinary activities before taxation and the retained (loss)/ profit for the financial period stated above and their historical cost equivalents.

There were no recognised gains or losses other than those reflected in the profit for the period.

MANAGING AGENCY PARTNERS LIMITED

BALANCE SHEET
AS AT 31ST DECEMBER 2009

	Note	2009 £	2008 £
FIXED ASSETS			
Tangible assets	9	212,301	287,691
CURRENT ASSETS			
Debtors	10	28,676,712	41,543,502
Cash and short term deposits		2,485,708	8,881,863
		31,162,420	**50,425,365**
CREDITORS – amounts falling due within one year	11	**(10,760,142)**	**(15,877,304)**
NET CURRENT ASSETS		**20,402,278**	**34,548,061**
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,614,579**	**34,835,752**
CREDITORS – AMOUNTS FALLING DUE AFTER ONE YEAR	11	**(1,407,868)**	**(5,103,304)**
NET ASSETS		**19,206,711**	**29,732,448**
CAPITAL AND RESERVES			
Called-up share capital	12	400,000	400,000
Profit and loss account		18,806,711	29,332,448
TOTAL SHAREHOLDERS' FUNDS - EQUITY INTERESTS	13	**19,206,711**	**29,732,448**

The financial statements on pages 5 to 15 were approved by the Board of directors on 29th January 2010 and were signed on its behalf by

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R J Sumner
Finance Director

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Accounting Convention
The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. No cash flow statement is presented since FRS 1 (revised) exempts the Company from the requirement to do so under the provision for subsidiary undertakings where a consolidated cash flow has been prepared by the ultimate parent company.

Turnover
Turnover consists principally of underwriting agency fees and profit commission from managed Lloyd's syndicates. Underwriting agency fees represent net fee income receivable from members participating on the Company's managed syndicates.

Profit commission is derived from the managed syndicates. The percentage applicable to the syndicates profit varies by syndicate year of account (YOA) and is set out in MAP's managing agency agreement between it and each capital provider. Profit commission is payable by the syndicate capital providers when a YOA closes, most usually 36 months after inception. Until the year closes the final quantum of profit commission receivable by MAP is uncertain. The uncertainly in profit commission receivable is greatest the more immature a syndicate YOA is and it reduces as the year matures towards 36 months. The profit commission is recognised in these financial statements on a prudent basis in line with Application Note G of FRS5 – Reporting the Substance of Transactions. More specifically the accrual for each year is made as follows:

Year 1 – Currently 2009 YOA
The ultimate outcome has a very wide range of uncertainly- therefore no profit commission is accrued

Year 2 – Currently 2008 YOA
There is less uncertainty as insurance policies come off risk and information on insurance reserves becomes clearer – therefore a proportion of the profit commission reported in the last Lloyd's interim syndicate auditor reviewed half year return is used for the accrual.

Year 3 – Currently 2007 YOA
The ultimate result is much clearer as there are few policies still on risk, ultimate investment return in the syndicate is more certain and ultimate insurance claims are mature enough to become reasonably predictable – therefore full profit commission taken based on the latest mid point estimate of the syndicate result submitted to Lloyd's, currently this is September 2009. Any changes to the profit commission between that estimated in its year 3 and that finally received on formal closure is booked on the date the syndicate financial statements are approved by the board of MAP.

Foreign Currency Transactions
Foreign currency transactions are recorded at the exchange rate ruling at the date of the transaction. Income and expenses that accrue in a period are translated at the average rate of exchange for that period. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange at the balance sheet date. All differences are taken to the profit and loss account.

Profit Related Remuneration
A proportion of the profits of the relevant underwriting year of account, from the managed syndicates, are available for allocation to employees. There is a contractual obligation for the profit pool to be payable on the closure of the year of account and this is accrued for in the financial statements as are any discretionary bonuses approved by the directors prior to the balance sheet date.

Deferred Taxation
Deferred taxation is accounted for using the incremental liability approach to timing differences. Timing differences arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in financial statements. Timing differences originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets are only accounted for as recoverable to the extent that it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Tangible Assets
Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

Office refurbishment	straight line	over 3 years
Computer equipment	straight line	over 2 years
Electrical equipment	straight line	over 2 years
Fixtures and fittings	straight line	over 3 years
Purchased software	straight line	over 2 years

Interest Receivable
Interest receivable is accounted for on an accruals basis.

Leasing and Hire Purchase Commitments
Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease terms.

Pensions
The Company operates a defined contribution scheme. Contributions are charged in the profit and loss account on an accrued basis and in accordance with the rules of the scheme.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. TURNOVER

Turnover comprises underwriting agency fees, profit commission and management charges levied for administering the affairs of Treasureway Limited and MAP Capital Limited, corporate underwriting members which participate on the managed syndicates.

	2009 £	2008 £
Underwriting Fees	2,249,175	2,175,218
Profit Commission	18,950,885	33,013,697
Management Charges:		
MAP Capital Ltd	50,000	40,000
Treasureway Ltd	5,000	10,000
	21,255,060	**35,238,915**

All turnover and profit arise in the UK and relate to the Company's principal activity. The management charges made to both companies were negotiated on an arm's length basis.

3. DIRECTORS AND EMPLOYEES

Staff costs

Details of staff costs are shown below.

	2009 £	2008 £
Wages and salaries	3,665,240	3,466,450
Social security costs	440,338	417,104
Other pensions costs	417,079	385,791
Other staff costs	229,219	228,753
Profit related remuneration	10,087,897	9,390,601
Social security costs on profit related remuneration	1,167,900	1,201,997
	16,007,673	**15,090,696**

Of the total staff costs of £16,007,673 (2008: £15,090,696), a total of £4,067,880 (2008: £3,853,163) was recharged to Syndicate 2791, which is under management by the Agent, and £13,621 (2008: £12,234) was recharged to Managing Agency Partners Holdings Limited. Profit related remuneration relates wholly to MAP and is not recharged to the syndicate. Profit related remuneration is charged to the profit and loss account on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2009	2008
The average number of employees for the period ending 31st December 2009 can be analysed as follows:		
Administration	19	20
Underwriting	22	21
Claims	4	4
	45	**45**

Included in the gross staff costs are directors' emoluments as follows:	2009 £	2008 £
Aggregate emoluments and benefits	7,509,940	4,693,211
Company pension contributions paid/accrued to money purchase pension scheme	110,191	105,225
	7,620,131	**4,798,436**

Of the total directors' emoluments, £6,477,733 (2008: £3,693,728) relates to profit related remuneration, of which £297,963 (2008: £1,348,540) is not payable until the closure of the 2008 syndicate year of account. Of the balance of the total directors emoluments, £901,536 (2008: £859,555) was recharged to Syndicate 2791 with a further £12,350 (2008: £11,397) recharged to MAP Holdings Ltd. Profit related remuneration is not recharged to the syndicate.

The number of directors for whom the Company contributes to a money purchase pension scheme is detailed below:-

	2009	2008
No. of Directors	**6**	**6**

Included in the gross directors' emoluments above are amounts paid in respect of the highest paid Director as follows:

	2009 £	2008 £
Highest paid director:		
Aggregate emoluments and benefits:		
Salary	236,839	226,535
Profit related remuneration	2,721,997	1,582,829
Company pension contributions paid/accrued to money purchase pension scheme	28,200	27,000
	2,987,036	**1,836,364**

Within the profit related remuneration of the highest paid director £216,798 (2008: £775,332) relates to open years of account and is therefore not payable until the relevant years have closed.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. OPERATING EXPENSES

	2009 £	2008 £
The profit before taxation is stated after charging / (crediting) the following items:		
Depreciation	283,027	221,947
Operating lease rentals for land and buildings	290,560	546,062
Hire of plant and equipment	23,368	19,196
Auditors' remuneration for:		
Current year audit	20,800	20,000
Prior year audit over accrual	-	(425)

A total of £264,006 (2007: £202,261) in respect of depreciation and £260,126 (2008: £521,131) in respect of the operating lease rentals for land and buildings were recharged to Syndicate 2791.

5. INTEREST RECEIVABLE

	2009 £	2008 £
Bank interest	13,983	352,184
Other income	178	250
	14,161	**352,434**

6. INTEREST PAYABLE

	2009 £	2008 £
Bank interest	2,956	1,201
Interest payable on taxation settlement	14,812	1,317
	17,768	**2,518**

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

a) Analysis of charge in period

	2009 £	2008 £
Current tax:		
UK Corporation tax on results	1,335,590	9,388,267
Cost of group relief	9,675	10,071
Under provision in respect of previous year	5,491	-
Deferred tax (see note 7b):		
Origination and reversal of timing differences	713,369	(433,256)
Adjustment due to rate changes	-	8,873
Tax on profit on ordinary activities	**2,064,125**	**8,973,955**

b) Deferred tax asset

	2009 £	2008 £
At start of period	(1,002,936)	(578,553)
Deferred tax charge/(credit) in Profit and Loss account for the period	713,369	(424,383)
At the end of the period	**(289,567)**	**(1,002,936)**

Deferred tax in the period is the tax attributable to the following timing differences: £961,097 relating to the 2007 year of account which is payable in 2010 less £213,340 in respect of profit related remuneration relating to 2008 (payable in 2011) less £38,088 decelerated capital allowances and a £3,700 adjustment to the brought forward balance.

c) Current tax charge for the period	2009 £	2008 £
Profit on ordinary activities before tax	7,337,776	31,201,919
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 28% (2008: 28.5%)	2,054,577	8,892,547
Effects of:		
Expenses not deductible for tax purposes	213,747	978,359
Tax free income	(50)	(71)
Prior year expenses deductible in current tax year	(961,097)	(491,702)
Depreciation in excess of capital allowances for the year	38,088	19,205
Losses surrendered by Group Companies under group relief	(9,675)	(10,071)
Current tax charge for the period	**1,335,590**	**9,388,267**

8. DIVIDENDS

	2009 £	2008 £
Interim dividend on 24th April 2009: $70.30 (2008: £2.05 and $4.13) per ordinary share	**15,799,388**	**1,647,158**

The dividends were paid after a waiver of £3,310,907 (2008: £366,255) from Managing Agency Partners Holdings Limited.

9. TANGIBLE FIXED ASSETS

	Computer Equipment £	Fixtures & Fittings £	Total £
Cost:			
At 1st January 2009	934,850	256,266	1,191,116
Additions	207,637	-	207,637
At 31st December 2009	**1,142,487**	**256,266**	**1,398,753**
Depreciation:			
At 1st January 2009	694,551	208,874	903,425
Charged in the period	235,635	47,392	283,027
At 31st December 2009	**930,186**	**256,266**	**1,186,452**
Net book value at 31st December 2009	**212,301**	**-**	**212,301**
Net book value at 31st December 2008	**240,299**	**47,392**	**287,691**

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. DEBTORS

	2009 £	2008 £
Debtors due within one year:		
Amounts due from group undertakings	19,527	37,617
Other debtors	71,784	80,968
Prepayments and accrued income	35,471	27,315
Inter company loans	-	3,694
Deferred taxation asset (see note 7(b))	289,567	1,002,936
Profit commission	26,355,949	28,239,226
Debtors due after one year:		
Profit commission	1,904,414	12,151,746
	28,676,712	**41,543,502**

11. CREDITORS

	2009 £	2008 £
Falling due within one year:		
Trade creditors	2,173	21,067
Other taxes and social security cost	138,763	126,943
Other creditors and accruals	132,243	34,473
Corporation Tax	576,425	4,706,220
Deferred Income	584,129	582,564
Profit related remuneration	9,326,409	10,406,037
	10,760,142	**15,877,304**
Falling due after one year:		
Deferred Income	664,865	693,508
Profit related remuneration	743,003	4,409,796
	1,407,868	**5,103,304**
	12,168,010	**20,980,608**

12. SHARE CAPITAL

	2009 number	2008 number
Authorised:		
Ordinary shares of £1 each	1,000,000	1,000,000

	2009 number	2008 number
Allotted, called-up and fully paid		
Ordinary shares of £1 each	400,000	400,000

13. MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share Capital £	Profit and Loss Account £	Total £
Opening shareholders' funds	400,000	29,332,448	29,732,448
Retained Loss/Profit for the financial period	-	(10,525,737)	(10,525,737)
Closing shareholders' funds	400,000	18,806,711	19,206,711

14. EMPLOYEE SHARE OWNERSHIP PLAN

The Company is a party to a share ownership trust which, on 31st December 2009 held 55,958 (2008: 55,958) "B" shares in MAP Equity Limited, the Company's ultimate parent. On the 31st December 2009 trust purchased 30,000 "A" shares in MAP Equity Limited from a director D.E.S Shipley for a deferred consideration based on a contractual percentage of the profit commission receivable by the agent from Syndicate 2791 in respect of the next four underwriting years to close at 31st December 2009. The trust also holds 2,002 (2008: 2,002) "C" shares in Managing Agency Partners Holdings Limited, the Company's immediate parent.

The trust does not distribute shares under an employee option scheme.

15. OTHER RELATED PARTIES

Mr D. E. S. Shipley, Mr R. K. Trubshaw and Mr A. Kong are directors and shareholders of MAP Capital Limited at the balance sheet date, with 30%, 12%, and 3% of the allotted voting shares respectively. Other shareholders include Mr J. Denoon Duncan, Mrs B.S. McAuley, Mr C.J. Smelt and Mr R.J. Sumner all with less than 3% of the allotted share capital. Mr. D.E.S. Shipley is also the beneficial owner of one "S" class share in MAP Capital Limited.

Mr D. E. S Shipley and Mr R. K. Trubshaw each owned one ordinary share in Treasureway Limited being 50% each of the allotted share capital until Treasureway was sold on 24th April 2009

15. HOLDING COMPANIES

The ultimate holding company, for which consolidated accounts are prepared, is MAP Equity Limited, a company registered in England and Wales.

The immediate holding company is Managing Agency Partners Holdings Limited a company registered in England and Wales.

16. PENSION COMMITMENTS

The Company operates a defined contribution pension scheme, the MAP Group Personal Pension Scheme, for its directors and employees. The Company's contribution to the scheme for 2009 totalled £417,079 (2008: £385,791) of which £367,425 (2008: £339,692) was recharged to Syndicate 2791.

The assets of the scheme are held separately from those of the Company in an independently administered fund.

17. OTHER FINANCIAL COMMITMENTS

Operating leases

At 31st December 2009 the Company had annual commitments under operating leases as set out below:

Leases Expiring	Land & Buildings 2009 £	Other 2009 £	Land & Buildings 2008 £	Other 2008 £
Within one year	98,114	75,627	98,114	85,985
In two to five years	385,426	5,946	381,202	7,626

The current occupancy lease was signed on 7th August 2006 and expires on 24th March 2011 with no available break clause