OMEGA

Syndicate Annual Accounts

FOR THE YEAR ENDED 31 DECEMBER 2008

SYNDICATE 958

OMEGA UNDERWRITING AGENTS

Contents

OMEGA

Directors and Administration

Managing Agent
Omega Underwriting Agents Limited

Directors
Mr. A. J. Adie
Mr. M. I. Daly
Mr. W. M. Fiederowicz (non-executive)
(appointed 31 October 2008)
Mr. I. W. Mercer (non-executive)
(appointed 29 September 2008)
Mr. R. B. Morgan (non-executive chairman)
Mr. J. F. Powell (non-executive)
Mr. J. B. Raishbrook
Mr. J. D. Robinson

Company Secretary
Mr. A. D. Smith

Managing Agent's Registered Office
4th Floor
New London House
6 London Street
London
EC3R 7LP
www.omegauw.com

Managing Agent's Registered Number
3437356

Syndicate

Active Underwriter
Mr. J. D. Robinson

Bankers
Barclays Bank plc
1 Churchill Place
London
E14 5HP

Investment Managers
Crédit Agricole Asset Management (UK) Limited
41 Lothbury
London
EC2R 7HF

Registered Auditors
Ernst & Young LLP
1 More London Place
London
SE1 2AF

Solicitors
Dewey & LeBoeuf
No. 1 Minster Court
Mincing Lane
London
EC3R 7AA

Report of the Directors of the Managing Agent

The directors of the managing agent present their report for the year ended 31 December 2008.

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

Separate underwriting year accounts for the closed 2006 account will be made available to the syndicate members.

Principal Activity and Review of the Business

Omega Group corporate activity has continued over the course of the past 12 months. This has concentrated on putting the Group, and therefore, the Syndicate, in a strong position to enable it to fully capitalise on the business opportunities which it is considered will arise over the course of the coming 24 months.

This activity is discussed further later in this Report, but at this point, it would be remiss were we not to comment on the announcement that John Robinson will relinquish the post of active underwriter of Syndicate 958, and that Daria Vanous will take over the role for the 2010 underwriting year, subject to regulatory approval. You may already be aware of this given it was disclosed when the Omega Group results were announced on 10 March 2009.

The OUAL Board has striven to ensure that the best interests of the Syndicate have remained at the fore in the planning for this decision and in this regard, the following was taken into account:

- Since the Omega Group began diversifying its activities outside of the Lloyd's market, John Robinson has held the position of Chief Underwriting Officer over the entirety of the Group's underwriting activities. These now span London, Bermuda, US and Cologne.

  As the Group continues to evolve, the breadth of these responsibilities grows and as a result, John needs greater time to devote to developing the strategy of the Group overall. Most importantly, he needs to ensure that the underwriting standards and philosophy that have driven the success of Syndicate 958 are maintained across all Group underwriting platforms. Thus allowing the full benefit to be derived at a Group, and therefore, Syndicate level from having an underwriting presence in these different jurisdictions. It was apparent to the OUAL Board that, going forward, he would be unable to do this effectively whilst retaining the position of active underwriter on the Syndicate.

- The OUAL Board was very encouraged that in Daria Vanous there was an internal candidate available to succeed John Robinson who holds the same philosophical ideals from an underwriting perspective as John, given the primary goal is to preserve the unparalleled profit track record of the Syndicate:

  - She has worked at Omega since 2003, having first worked directly on the Syndicate, until moving to Cologne in 2006 to head up Omega Europe, which underwrites European Reinsurance business on behalf of the Syndicate;
  - She has a strong and respected track record within the reinsurance market (which is one of the Syndicate's core lines of business), having previously been CEO of Europa Re; and
  - John Robinson will continue to be responsible for Group insurance strategy and in this capacity, will be available to assist Daria in the transition to her new role.

The Board of OUAL, therefore, concluded that Daria was a suitable candidate as John's successor subject to her receiving the necessary regulatory approval and we look forward to welcoming her to the OUAL Board in this capacity.

2006 Account

Previous reports have indicated that this year of account would be an excellent year, given the absence of any significant catastrophes and the hardening of rates following the hurricanes in 2004 and 2005, with a forecast profit range of 14% to 19%. The actual result is a profit of 23.4% when expressed as a percentage of capacity. This can be broken down into a pure year profit of £62.2m and a deficit of £3.9m on the reserves for the 2005 and prior years, producing an overall profit of £58.3m.

When commenting on the 2006 year in last year's report and accounts, few of us would have predicted the financial turmoil that has occurred during the course of 2008 and its catastrophic effects across the international business community. Perversely, however, the overall effects, certainly in the short term, have been beneficial to the performance of Syndicate 958 and, in particular, the 2006 underwriting year.

The demise of the UK's economy, and most notably its banking sector has led to significant weakening of Sterling, most notably against the US Dollar. Given that the Syndicate transacts circa 70% of its business in US dollars, this has led to significant profit on exchange.

In addition, as has previously been explained, the Syndicate has a very conservative approach to its investment strategy. It has always held the view that the primary source of risk should come from the underwriting of insurance business, rather than its investment portfolio. In this context, the OUAL Board is pleased to be able to report that, as a result of holding the majority of its investments in short term government securities, which outperformed the market by a significant margin during 2008, the Syndicate's investments had an annualised return for 2008 of 5.60%. As a consequence, the 2006 year (which, of course, had the benefit of the 2005 and prior reserves in calendar year 2008) had an overall investment return of £9.8m.

It should be emphasised, however, that such gains are principally a product of the current economic circumstances and if removed, the Syndicate's result would have been within the previously published range. The international economic outlook is very poor, with recession and possible deflation being the medium term outlook. Whilst this very volatile position will not necessarily have a prejudicial effect on the Syndicate's core underwriting business, the unsettled financial markets could have a detrimental effect on both its foreign exchange and investment positions going forward. This could materially affect future returns and is discussed further in the sections on the 2007 and 2008 years of account.

Albeit the 2006 pure year has closed at a profit, the 2005 and prior years produced an overall deficit of £3.9m, arising from the need to strengthen reserves.

It will be recalled that it was explained in last year's report and accounts that the Board had decided that upon the closure of 2005 year, a US$25m contingency reserve should be established specifically to take account of ongoing concerns regarding the legal and political consequences arising from Hurricane Katrina. References were made to a number of class actions which went to the core of certain fundamental insurance principles. Some of these litigations have now been concluded in insurers' favour, but others remain outstanding, most notably the resolution of the State of Louisiana's attempts to recover, from insurers', grants totalling, in aggregate, more than US$5bn, made available to citizens to rebuild their homes, lost as a result of Katrina. As a consequence, it has been agreed that, although the position is more stable than 12 months ago, it is still necessary to maintain a contingency reserve, albeit at a reduced level of $15m.

In addition to the foregoing, the Syndicate has deemed it necessary to respond to incurred claim deterioration on both the 2004 and 2005 hurricanes. This appears to be principally caused by the activities of public adjusters in those States affected by the storms. The benign wind seasons of 2006 and 2007 have severely hit public adjusters' cash flow, such that there is evidence that they have been openly encouraging insureds, through advertising campaigns on US television etc. to allow them to review the settlements they have received on hurricane related claims to see if, on a pro bono basis, they can extract additional funds from insurers. This has inevitably caused "creep" on incurred claims which has resulted in the IBNR provisions being exhausted, resulting in the need to further strengthen reserves.

2007 Account

The 2007 year has experienced some deterioration during the course of the 2008 calendar year. This has principally arisen as a result of the unprecedented number of hull losses that occurred during the year on the London Market marine excess of loss account (for which see further comments under "Future" below), the Californian Wildfires that occurred in November/December 2007 and risks written in the 2007 year which experienced losses from Hurricanes Gustav and Ike.

At the 18 month stage, the Syndicate narrowed its forecast range from 7.50% to 17.50% to 12.50% to 17.50%. The Board has decided to maintain the profit range at this level but did so on the basis that members should be mindful of the potential, prejudicial effect the current economic climate could have on the 2007 year's performance during the 2009 calendar year. As is discussed under 2006 Year above, whilst the Syndicate has derived significant gains from the foreign exchange and investment movements over the course of 2008, the potential outcome for 2009 is difficult to gauge.

Should Sterling strengthen against the major currencies, then there are distinct possibilities of foreign exchange losses. In addition, the prudent investment strategy employed by the Syndicate is unlikely to reap the rewards that have been forthcoming in 2008. The OUAL Board will, of course, strive to shelter the performance of the Syndicate from these pressures.

2008 Account

Following two benign catastrophe years in 2006 and 2007, the 2008 business plan anticipated rate reductions, which resulted in the decision to effectively reduce capacity from the £275m for 2007 (including the QQS) to £250m for 2008. Overall rating conditions for 2008 have been on par with the assumptions underlying the plan. However, the performance has been significantly affected by Hurricane Ike and to a lesser extent, Hurricane Gustav. The current loss estimate on a net basis for Ike and Gustav collectively is US$81.50m. The 2008 year still has significant exposure to catastrophes particularly should any occur during the first half of 2009. Notwithstanding the foregoing, deterioration will be contained by the 2008 whole account stop loss.

A major contribution to the Ike loss has been the Syndicate's expanded offshore energy account, which commenced underwriting for the 2007 year. It was always recognised as being a catastrophe account, due to its material Gulf of Mexico (GoM) exposures. Hurricane Ike has resulted in an insured offshore energy loss at an Industry level of circa US$2.50bn – US$3.00bn. It is evident that the size of the market loss was unexpected given that Hurricane Ike was no more than a category 3 storm at the time it passed through the GoM. This indicates that despite significant profits on this account in 2006 and 2007, the Market's underwriting response post the significant offshore losses caused by Hurricanes Ivan, Katrina and Rita has not been adequate to ensure a proper balance between premium, terms and conditions and catastrophe exposures. The market must, therefore, respond appropriately in 2009 to the lessons learned from Ike if this account, particularly in terms of its GoM exposures, is to remain tenable, and this is discussed further under "Future" below.

Outside of underwriting issues, 2008 has benefited in its first calendar year from the considerable gains derived from foreign exchange and investments discussed above. As with 2007, however, there is the possibility that these factors could work against the 2008 year over the next 12 to 24 months, in view of the volatile economic climate. Market movements can be so material and rapid that they could have a severe negative impact on the year of account's overall financial performance. The OUAL Board is well aware of this potential downside and will, of course, seek to take action to limit the effects where possible.

THE FUTURE

In June 2008, when the provisional 2009 plan had to be submitted to Lloyd's, rates were under pressure following benign catastrophe years in 2006 and 2007 and there was little sign of recovery. As a consequence, in line with the Syndicate's proven approach to underwriting cycle management, it was agreed that based upon conditions as they appeared at that stage, income for 2009 should be reduced to £200m for the whole account, down from £243m in 2008. By September 2008, when the OUAL Board was required to submit its full 2009 business plan to Lloyd's, the position had changed significantly such that it was difficult to predict with certainty what market conditions might be within the various classes of business that the Syndicate underwrites, and thereby settle upon a stable plan.

On the 1 September, Hurricane Gustav made landfall on the Louisiana coast having passed over GoM oil installations, and on 13 September, Hurricane Ike (one of the biggest storms in history from the point of view of kinetic energy if not wind velocity) made landfall in Texas, having also passed over GoM oil platforms.

In addition, the international financial background had changed considerably:

- financial institutions had begun to come under immense pressure resulting in them withdrawing lines of credit. This was beginning to resonate across all commercial sectors, resulting in the balance sheets of direct competitors, most of whom have long been regarded as A rated security, beginning to suffer, the consequences of which were difficult to extrapolate at that stage;
- the pressure on the financial markets was having a direct effect on investment performance, particularly those assets directly affected by the performance of the property and equity markets; and
- it was clear that the volatility within the investment markets and the general downturn in economic performance would have a direct effect on the strength of Sterling against the major currencies.

In light of the foregoing, the Syndicate preserved its right with Lloyd's to amend its business plan for 2009 in response to insurance and investment conditions as they developed. At the time of writing this report, it is evident that, as the full effects of Hurricane Ike become clearer, the offshore energy account will see significant rate rises going into its renewal period in 2009. As commented above, the Syndicate will take its own actions on the account in response to the Ike loss, but if the offshore energy market overall does not respond responsibly in terms of coverage and price, then the future of the account will be questionable. Other areas of the market are, on current evidence, slower to respond but it is anticipated that rate rises will come through in the second half of 2009.

One further area of note on the 2009 year is the decision to reduce significantly the London Market marine excess of loss account. The Syndicate first started writing this account materially in the 2004 year. It was decided to start downsizing the account in 2007, principally due to the potential clash with the direct energy account. It has become apparent, however, that the Market's response on this account, in the wake of the heavy losses as a result of Hurricanes Ivan, Katrina and Rita both in terms of rate and terms and conditions has been insufficient. This has been exacerbated by the high level of attritional losses suffered in 2007 combined with late claims advices and slow premium payment. As a consequence, it was decided that the account should be reduced significantly for the 2009 year.

From the perspective of outwards reinsurance protection, conditions continue to be such that in most cases it remains commercially unviable to purchase general catastrophe protections. As a consequence, the Syndicate has renewed the 20% gross whole account quota share (which has no event limits) with OSIL and intends to continue its strategy of purchasing appropriate specific reinsurance, coupled with the renewal of the whole account stop loss.

RESULTS

The result for calendar year 2008 is a profit of £41.2m (2007 - £40.0m). Profits will continue to be distributed by reference to the results of individual underwriting years.

FINANCIAL PERFORMANCE

The Syndicate's key financial performance indicators during the year were as follows:

	2008 £000	2007 £000	CHANGE
Gross written premiums	328,521	281,834	+17%
Profit for the financial year	41,242	39,981	+3%
Combined ratio	89%	85%	

Note: Gross written premiums include brokerage and commission. The combined ratio is the ratio of net claims incurred and net operating expenses to net premiums earned.

The combined ratio has deteriorated from 2007. This is principally explained by the effects of Hurricane Ike. It should be noted, however, as is discussed earlier in this report, that the combined ratio deteriorates further if the effects of foreign exchange gains are removed.

	2008 £000	2007 £000	CHANGE
Investment return	17,201	14,081	+22%

AllianceBernstein (AB) have held the position as Syndicate 958's investment managers for nine years, during which time they have successfully overseen positive returns. Nevertheless, it was decided that in line with good governance practice and due to concerns that AB's view on the appropriate level of credit risk in the portfolio was no longer consistent with the view of the OUAL Board, that a "beauty parade" of investment managers should be held. This was so as to explore whether there were potential partners who better fitted Omega's investment philosophy. As a consequence of this due diligence process, it was decided to terminate the relationship with AB and to appoint, Crédit Agricole Asset Management (CAAM) with effect from 1 November 2008.

CAAM have extensive knowledge and experience within the Lloyd's market and were able to satisfy the Investment Committee that they were comfortable operating within the conservative investment strategy prescribed by the Board.

The Syndicate's investment strategy has remained under close scrutiny throughout 2008, with an emphasis on short term, high quality fixed income securities. The global economic turmoil resulted in the credit markets severely underperforming during 2008 and the secondary markets in many corporates and asset-backed and mortgage-backed securities have, to all intents and purposes, closed. Syndicate 958 had very little exposure to the worst affected of these asset classes and, as a consequence, portfolio returns and liquidity have remained satisfactory.

The dramatic weakening of Sterling, particularly against the US Dollar, in the final quarter of 2008 resulted in Syndicate 958 booking significant profits on exchange which have bolstered materially the Syndicate's reported profit for the period.

Risk Management Statement

Principal risks and uncertainties

The overall risk appetite of the Syndicate is reviewed on an annual basis by the Board as part of the annual business planning and capital assessment process.

Much of this work is supported by the risk register which continues to be developed by the Board under the stewardship of the Compliance and Risk Management Committee. The risk register documents the key risks to the organisation and the controls that are in operation to monitor and/or reduce these risks. The register is regularly refreshed to take account of the changing environment from both an underwriting and non-underwriting perspective. The principal risks and uncertainties facing the Syndicate are as follows:

Insurance Risk

This is defined as "the risk of loss arising from inherent uncertainties as to the occurrence, amount and timing of insurance liabilities". This, therefore, includes both underwriting and reserving risk. Given that insurance underwriting is the principal activity of the Syndicate, this is, of course, the main risk to the business.

The Board agrees its appetite for underwriting risk through the development of the annual business plan. This sets out income expectations by class of business (given the rating environment that it is anticipated will prevail on a class by class basis), gross and net loss ratios on a class by class and whole account basis, line sizes and catastrophe exposures on a gross and net level. The Board will then monitor performance against the plan and its underlying assumptions and will take corrective action when and if considered necessary.

The Board reviews prior year reserve adequacy and ongoing reserve requirements on a continuing basis. It is assisted in this work by the Finance Committee which takes independent input from the Syndicate's actuaries, Milliman.

Credit Risk

The key risk to the Syndicate is default of one or more of its reinsurers. The Syndicate will only purchase reinsurance from companies that are AM Best rated A- or better or can supply appropriate forms of supporting collateral. Moreover, it must be confident that the company will respond under stress conditions such as those experienced in the wake of the US hurricanes in 2004 and 2005 and latterly Ike in 2008. The Syndicate continues to have an excellent record in this regard, with no bad debt experienced on material collections.

Market Risk

The key market risk arises from the investment of the funds held in the Syndicate's premium trust funds. The Syndicate is exposed to the potential for unanticipated changes in both UK and international market and economic conditions, which could lead to capital losses. In addition, if the duration of assets is mismatched to liabilities when they fall due, then losses can arise.

The Board has always taken the view that its principal activity is insurance and thus it is this activity from which profit should be derived rather than relying on a secondary stream of income from its investment portfolio. As a consequence, a conservative strategy has been and will continue to be adopted in its approach to investment, so as to reduce the potential of jeopardising a positive underwriting return.

As is discussed under the Underwriting and Results Sections, calendar year 2008 was unprecedented in terms of the Syndicate's potential exposures, both in the investment and currency markets. The Investment Committee has successfully managed these risks during the course of 2008 to the overall benefit of the Syndicate and will, in tandem with its new investment managers, CAAM, seek to do so during the course of 2009.

LIQUIDITY RISK

This is the risk that the Syndicate will not be able to meet its liabilities as they fall due, as a result of a shortfall in cash. The Finance Committee regularly reviews cashflow projections to guard against this risk. In addition, contingency arrangements are in place should difficulties be experienced, including the ability to call cash from its Syndicate members.

OPERATIONAL RISK

This is the risk that errors, caused by people and/or inadequate processes or systems, lead to the Syndicate experiencing losses. The main risk in this regard is a failure in the Syndicate's control framework. The Syndicate's risk register, which details all of the current principal risks to the Syndicate, also identifies the key controls in response to these risks and the owners of those controls. The Compliance Officer regularly reviews these controls to ensure that they are operating effectively and in accordance with expectations.

REGULATORY RISK

Regulatory risk arises from the risk of loss arising from a breach of a regulatory requirement and/or failure to respond to regulatory change. This could lead to censure, fine and/or loss of the ability to trade in certain jurisdictions. The principal regulators to which the Syndicate has to report are the FSA and Lloyd's (which in addition manages regulatory relations with overseas regulators in an endeavour to protect Lloyd's international trading licences). The Compliance Officer monitors regulatory developments and ensures that the Syndicate responds accordingly.

GROUP RISK

This is the risk that the activities of one or more of the Omega Group companies outside of Omega Underwriting Agents Limited could have a prejudicial effect on the Syndicate. Such activities could have a direct financial effect through withdrawal of capital support for the Syndicate and/or an indirect effect through, for instance, a downgrade of rating. Whilst the Board has no reason to believe that such situations might arise, it is mindful of its responsibilities to all capital providers on the Syndicate. For this reason the Syndicate has its own AM Best rating independent of the Group. In addition, capital support for the Syndicate from Omega Dedicated Limited currently stands at 16.4% for 2008 which, if reduced or withdrawn entirely, would not threaten the ongoing viability of the Syndicate.

OMEGA GROUP

GROUP ACTIVITY

In December 2008 the Group announced its capital raising of £130m before expenses. As part of that announcement, Richard Tolliday, CEO of Omega, commented: *"We expect to see a progressive and significant improvement in market conditions over the next 12 to 18 months. The insurance industry environment is very different today from the conditions seen following Hurricane Andrew, 9/11 and the 2005 hurricane season, because of the number and nature of the factors which are profoundly affecting the industry. This creates exciting opportunities for a group as well positioned as Omega is. The severity of capital constraints being felt in the industry means we are confident we can utilise our enlarged balance sheet to grow our Bermudian operations and our surplus lines carrier in the US, essentially by writing more of the same type of business we have written so successfully for the past 29 years".*

The capital raise has now been successfully completed and the Group is in the process of deploying the raised funds to meet the objectives commented upon in the above statement.

The Group also announced its intention to move from AIM and apply for admission to the Official List and to trading on the London Stock Exchange's main market for listed securities during the first half of 2009. Plans are now underway to achieve this.

DIRECTORS

The Directors of the managing agent who served during the year ended 31 December 2008 were as follows:

Mr. J. D. Robinson
(active underwriter)

Mr. A. J. Adie

Mr. J. S. Barber
(non-executive - resigned 30 June 2008)

Mr. M. I. Daly

Mr. D. R. Burchett *(resigned - 26 February 2008)*

Ms. N. J. Davies
(resigned 18 November 2008)

Mr. W. M. Fiederowicz
(non-executive director - appointed 31 October 2008)

Mr. I. W. Mercer
(non-executive director - appointed 29 September 2008)

Mr. R. B. Morgan
(non-executive chairman)

Mr. J. F. Powell
(non-executive)

Mr. J .B Raishbrook

DIRECTORS' INTERESTS

The directors' participations in the premium income capacity of the 2006 year of account of the Syndicate either through Scottish Limited Partnership or limited liability companies are as follows:

	2006 YEAR OF ACCOUNT £
Mr. J. S. Barber	166,500
Mr. W. M. Fiederowicz	194,524

Mr. W. M. Fiederowicz, Mr. R. B. Morgan, Mr. J. D. Robinson, Mr. M. I. Daly and Ms. N. J. Davies are shareholders of Omega Insurance Holdings Limited and, as such, are underwriting through the wholly-owned dedicated vehicle, Omega Dedicated Limited.

The total capacity of the 2006 year of account of the syndicate was £248.8m.

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 recommend the reappointment of Ernst & Young LLP as the Syndicate's auditors, subject to support of the Syndicate's members.

By order of the Board

A. J. Adie
Managing Director
London

18 March 2009

Statement of Managing Agent's Responsibilities

The managing agent is responsible for preparing the syndicate annual report and annual accounts in accordance with applicable laws 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 UK GAAP (UK 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 andof 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.

The managing agent is responsible for the maintenance and integrity of the corporate and financial information included on the business' web site. Legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

Independent Auditors' Report

To the Members of Syndicate 958

We have audited the syndicate's annual accounts for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 18. 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 2008 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 2009

OMEGA

Profit and Loss Account: Technical Account – General Business

For the year ended 31 December 2008

	Notes	£000	2008 £000	£000	2007 £000
Earned premiums, net of reinsurance					
Gross premiums written	3		328,521		*281,834*
Outward reinsurance premiums			(89,780)		*(95,705)*
Net premiums written			238,741		*186,129*
Change in the provision for unearned premiums:					
Gross amount			(18,267)		*(16,111)*
Reinsurers' share			(2,059)		*5,833*
Change in the net provision for unearned premiums			(20,326)		*(10,278)*
Earned premiums, net of reinsurance			218,415		*175,851*
Allocated investment return transferred from the non-technical account			17,201		*14,081*
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(149,531)		*(118,781)*	
Reinsurers' share		40,775		*42,735*	
Net claims paid		(108,756)		*(76,046)*	
Change in the provision for claims					
Gross amount		(97,749)		*7,772*	
Reinsurers' share		41,171		*(18,220)*	
Change in the net provision for claims		(56,578)		*(10,448)*	
Claims incurred, net of reinsurance			(165,334)		*(86,494)*
Net operating expenses	5		(29,040)		*(63,457)*
Balance on the technical account for general business			41,242		*39,981*

All operations are continuing.

Profit and Loss Account: Non-Technical Account

for the year ended 31 December 2008

	Notes	2008 £000	2007 £000
Balance on the general business technical account		41,242	*39,981*
Investment income	8	15,312	*10,188*
Unrealised gains on investments		2,143	*4,090*
Investment expenses and charges	8	(254)	*(197)*
Allocated investment return transferred to general business technical account		(17,201)	*(14,081)*
Profit for the financial year		41,242	*39,981*

There is no Statement of Total Recognised Gains and Losses because the syndicate has no recognised gains or losses other than the profit for the period.

OMEGA

Balance Sheet – Assets

at 31 December 2008

	Notes	£000	2008 £000	£000	2007 £000
Investments					
Financial investments	9		307,238		*240,278*
Deposits with ceding undertakings			668		*706*
Reinsurers' share of technical provisions					
Provision for unearned premiums		25,782		*27,841*	
Claims outstanding	4	132,686		*61,238*	
			158,468		*89,079*
Debtors					
Debtors arising out of direct insurance operations	10	162,217		*56,791*	
Debtors arising out of reinsurance operations	10	76,159		*35,821*	
Other debtors		2,042		*1,060*	
			240,418		*93,672*
Other assets					
Cash at bank and in hand			60,896		*35,015*
Other	11		25,365		*17,242*
Prepayments and accrued income					
Accrued interest		1,803		*667*	
Deferred acquisition costs		23,339		*19,866*	
Other prepayments and other accrued income		1,040		–	
			26,182		*20,533*
Total assets			819,235		*496,525*

Balance Sheet – Liabilities

at 31 December 2008

	Notes	£000	2008 £000	£000	2007 Restated £000
Capital and reserves					
Members' balances	12, 18		94,673		*73,518*
Technical provisions					
Provision for unearned premiums		98,884		*80,617*	
Claims outstanding	4	439,525		*246,548*	
			538,409		*327,165*
Deposits received from reinsurers			15,969		*15,969*
Creditors					
Creditors arising out of direct insurance operations	13	37,204		*15,739*	
Creditors arising out of reinsurance operations	13	108,239		*45,032*	
Other creditors		12,111		*5,423*	
			157,554		*66,194*
Accruals and deferred income			12,630		*13,679*
Total liabilities			819,235		*496,525*

The financial statements on pages 12 to 25 were approved by the Board of Omega Underwriting Agents Ltd on 13 March 2009 and were signed on its behalf by

J.B. Raishbrook
Finance Director
18 March 2009

OMEGA

Statement of Cash Flows

for the year ended 31 December 2008

	Notes	2008 £000	2007 £000
Net cash inflow from operating activities	14	21,996	*64,651*
Transfer to members in respect of underwriting participations		(18,420)	*(27,682)*
Financing:			
From members		–	*18*
Members' agents' fees paid on behalf of members		(1,667)	*(1,235)*
	15	1,909	*35,752*
Cash flows were invested as follows:			
Increase in cash holdings	15	19,629	*14,686*
Increase in deposits		(5,861)	*3,841*
Net portfolio investment	16	(11,859)	*17,225*
Net investment of cash flows		1,909	*35,752*

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, except that exchange differences are dealt with in the technical account as there are no non-technical items.

2. Accounting Policies

Premiums written

Premiums written comprise premiums on contracts incepted during the financial year as well as adjustments made in the year to premiums written in prior accounting periods. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet notified.

Unearned premiums

Written premiums are recognised as earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

Reinsurance premium ceded

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Claims provisions and related recoveries

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 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 on assessments of the business accepted and underwriting conditions. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

The reinsurers' share of provisions for claims 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 claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the estimates used for current business are fair reflections of the likely level of ultimate claims to be incurred.

The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

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.

Acquisition costs

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

Foreign currencies

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.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date or if appropriate at the forward contract rate. Non-monetary assets and liabilities are translated at the rates ruling at the transaction dates.

Exchange differences arising from the translation of non-monetary items at transaction rates are included in the technical account.

Investments

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

Investment return

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

2. Accounting Policies continued

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

Profit commission

Profit commission is charged by the managing agent at a rate of 20% of profit subject to the operation of a deficit clause.

3. SEGMENTAL ANALYSIS

AN ANALYSIS OF THE UNDERWRITING RESULT BEFORE INVESTMENT RETURN IS SET OUT BELOW:

2008	Gross written premiums £000	Gross earned premiums £000	Gross claims incurred £000	Gross operating expenses £000	Re-insurance balance £000	Total £000	Net technical provisions £000	Commissions on gross premiums earned £000
Direct insurance:								
Accident and health	1,732	1,968	(1,309)	(51)	1,217	1,825	(2,170)	
Motor (third party liability)	692	759	(503)	(125)	123	254	(664)	
Motor (other classes)	1,340	1,465	(1,064)	(264)	600	737	(2,722)	
Marine aviation and transport	53,910	48,258	(67,610)	(4,174)	21,026	(2,500)	(54,737)	
Fire & other damage to property	65,894	60,603	(51,485)	(12,268)	6,438	3,288	(66,865)	
Third party liability	32,655	32,149	(14,291)	(7,152)	784	11,490	(57,003)	
Miscellaneous	2,333	2,301	(1,137)	(559)	50	655	(2,817)	
	158,556	147,503	(137,399)	(24,593)	30,238	15,749	(186,978)	35,832
Reinsurance	169,965	162,751	(109,881)	(12,061)	(32,517)	8,292	(192,963)	
Total	328,521	310,254	(247,280)	(36,654)	(2,279)	24,041	(379,941)	

2007	Gross written premiums £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Re-insurance balance £000	Total £000	Net technical provisions £000	Commissions on gross premiums earned £000
Direct insurance:								
Accident and health	3,841	2,574	595	(872)	(179)	2,118	1,276	
Motor (third party liability)	318	66	(96)	(71)	(14)	(115)	(206)	
Motor (other classes)	1,643	1,336	(280)	(523)	144	677	(601)	
Marine aviation and transport	33,821	22,792	(10,241)	(5,689)	(3,138)	3,724	(21,965)	
Fire & other damage to property	55,074	43,760	(23,205)	(18,015)	(1,613)	927	(49,769)	
Third party liability	33,022	29,473	(12,002)	(12,488)	(677)	4,306	(25,741)	
Miscellaneous	3,164	2,977	(1,596)	(2,207)	445	(381)	(3,420)	
	130,883	102,978	(46,825)	(39,865)	(5,032)	11,256	(100,426)	30,847
Reinsurance	150,951	162,745	(64,184)	(33,681)	(50,236)	14,644	(137,660)	
Total	281,834	265,723	(111,009)	(73,546)	(55,268)	25,900	(238,086)	

All premiums were concluded in the UK.

The geographical analysis of premiums by destination is as follows:

	2008 £000	2007 £000
UK	42,731	*36,515*
Other EU countries	28,955	*28,022*
US	205,271	*182,343*
Other	51,564	*34,954*
Total	328,521	*281,834*

4. Claims Outstanding

A reassessment of the claims outstanding held at the previous year end resulted in the reserves being strengthened by £3.9m.

Hurricanes

As discussed in the Directors' Report, the costs of the 2008 storms are significant to Syndicate 958. The Syndicate's estimated gross loss for Hurricane Gustav is $15.1m (net $10.9m) and for Hurricane Ike is $151.3m (net $70.6m). At 31 December 2008 gross incurred losses for Gustav and Ike totalled $13.8m and $141.5m respectively.

5. Net Operating Expenses

	2008 £000	2007 £000
Acquisition costs	65,245	*60,940*
Change in deferred acquisition costs	(3,464)	*(3,460)*
Administrative expenses	9,350	*6,722*
Members' personal expenses	14,793	*11,788*
(Profit) on exchange	(49,271)	*(2,444)*
Reinsurers' commissions and profit participation	(7,613)	*(10,089)*
	29,040	*63,457*
Administrative expenses include:		
Auditors' remuneration		
Audit services	190	*249*
	190	*249*

The profit on exchange has arisen due to the material differences between average and year end rates of exchange. In addition, the translation of non-monetary items at transaction rates has generated further profit on exchange.

6. Staff Numbers and Costs

All staff are employed by Omega Administration Services Ltd. The following amounts were recharged to the syndicate in respect of salary costs:

	2008 £000	2007 £000
Wages and salaries	4,198	*3,393*
Social security costs	489	*315*
Other pension costs	508	*335*
Other	93	*78*
	5,288	*4,121*

The number of employees whose costs were charged in part or in full to the syndicate during the year was as follows:

	2008 £000	2007 £000
Administration and finance	14	*13*
Underwriting	16	*14*
Claims	4	*4*
	34	*31*

7. Emoluments of the Directors of Omega Underwriting Agents Limited

The directors of Omega Underwriting Agents Limited received the following aggregate remuneration charged to the syndicate and included within net operating expenses:

	2008 £000	2007 £000
Emoluments	483	*739*

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

Emoluments	207	*180*

8. Investment Return

	2008 £000	2007 £000
Investment income		
Income from investments	10,872	*9,518*
Gains on the realisation of investments	4,896	*670*
	15,768	*10,188*
Unrealised gains on investments	2,919	*4,090*
Unrealised losses on investments	(776)	–
Investment Expenses and Charges		
Losses on the realisation of investments	(456)	–
Investment management expenses	(254)	*(197)*
	(710)	*(197)*
	17,201	*14,081*

9. Financial Investments

	Market Value 2008 £000	Market Value 2007 £000	Cost 2008 £000	Cost 2007 £000
Shares and other variable yield securities	8,595	*8,147*	8,595	*8,147*
Debt securities and other fixed income securities	298,350	*224,105*	294,813	*219,629*
Participation in investment pools	29	*9*	29	*9*
Deposits with credit institutions	265	*8,017*	265	*8,017*
	307,239	*240,278*	303,702	*235,802*

Syndicate 958 holds no investments with material exposure to the US sub-prime mortgage crisis. Any such exposure does not exceed 5% of the Syndicate's financial assets in aggregate. Certain of the financial investments previously treated as cash deposits have been redesignated as collective investment schemes. These investments are now shown as shares and other variable yield securities. This impacts the US Dollar sweep funds (CILF; CICR and LATF sweep) and the Sterling AIM Global fund.

10. DEBTORS

	2008 £000	2007 £000
Debtors arising out of direct insurance operations		
Due from intermediaries within one year	162,189	*56,677*
Due from intermediaries after one year	28	*114*
	162,217	*56,791*
Debtors arising out of reinsurance operations		
Due within one year	76,138	*35,801*
Due after one year	21	*20*
	76,159	*35,821*

11. OTHER ASSETS

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

12. RECONCILIATION OF MEMBERS' BALANCES

	2008 £000	2007 £000
Members' balances brought forward at 1 January	73,518	*62,666*
Profit for the financial year	41,242	*39,981*
Payments of profit to members' personal reserve funds	(18,420)	*(27,894)*
Payment of members' agents' fees	(1,667)	*(1,235)*
Members' balances carried forward at 31 December	94,673	*73,518*

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.

13. CREDITORS

	2008 £000	2007 Restated £000
Creditors arising out of direct insurance operations		
Due to intermediaries within one year	37,192	*15,704*
Due to intermediaries after one year	12	*35*
	37,204	*15,739*
Creditors arising out of reinsurance operations		
Due within one year	108,239	*45,024*
Due after one year	–	*8*
	108,239	*45,032*

14. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2008 £000	2007 £000
Operating profit on ordinary activities	41,242	*39,981*
Realised and unrealised investments (gains)/losses	(99,018)	*(6,242)*
Increase/(decrease) in net technical provisions	141,855	*21,066*
(Increase)/decrease in debtors	(152,395)	*(7,152)*
Increase in creditors	90,312	*16,998*
Net cash inflow from operating activities	21,996	*64,651*

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

	2008 £000	2007 £000
Net cash inflow from the year	19,629	*14,686*
Cash flow		
(Decrease)/increase in overseas deposits	2,173	*(765)*
Increase in deposits received from reinsurers	–	*(15,969)*
Portfolio investments	(19,893)	*21,831*
Movement arising from cash flows	1,909	*19,783*
Changes in market value and exchange rates	99,018	*6,242*
Total movement in portfolio investments	100,927	*26,025*
Portfolio at 1 January	277,271	*251,246*
Portfolio at 31 December	378,198	*277,271*

Movement in Cash, Portfolio Investments and Financing

	At 1 January 2008 £000	Cash flow £000	Changes to market value and currencies £000	At 31 December 2008 £000
Cash at bank and in hand	35,015	19,629	6,252	60,896
Overseas deposits	17,242	2,173	5,950	25,365
Portfolio investments:				
Shares and other variable yield securities	8,147	448	–	8,595
Debt securities and other fixed income securities	224,104	(12,319)	86,564	298,349
Participation in investment pools	10	12	7	29
Deposits with credit institutions	8,017	(7,812)	60	265
Deposits with ceding undertakings	705	(222)	185	668
Total portfolio investments	240,983	(19,893)	86,816	307,906
Deposits received from reinsurers	(15,969)	–	–	(15,969)
Total cash, portfolio investments and financing	277,271	1,909	99,018	378,198

Other loans comprise loans to the Lloyd's New Central Fund.

16. Net Cash Outflow on Portfolio Investments

	2008 £000	2007 £000
Purchase of shares and other variable income securities	(448)	–
Purchase of debt and other fixed income securities	(431,498)	*(276,124)*
Purchase of participation in investment pools	(12)	–
Sale of shares and other variable yield securities	–	*3,423*
Sale of debt and other fixed income securities	443,817	*255,454*
Sale of participations in investment pools	–	*22*
Net cash inflow/(outflow) on portfolio investments	11,859	*(17,225)*
Purchase of deposits with credit institutions	7,812	–
Purchase of deposits with ceding undertaking	222	*143*
Sale of deposits with credit institutions	–	*(8,016)*
Sale of deposits with ceding undertaking	–	*3,267*
	19,893	*(21,831)*

17. Related Parties

Profit commission of £10,431,000 is payable by the Syndicate to Omega Underwriting Agents Limited in respect of profits for the 2008 calendar year (2007 - £6,198,000). Profit commission is not normally paid until the year of account is closed after three years. On account payments of profit commission are permitted in circumstances when 'early release' of interim profits are transferred to members' personal reserve funds.

Managing agency fees of £1,867,000 were paid by the Syndicate to Omega Underwriting Agents Limited. In addition to this, expenses of £5,401,000 were paid by Omega Underwriting Agents Limited on behalf of the Syndicate and were recharged to the Syndicate.

Omega Specialty Insurance Company Limited ("OSIL")

OSIL is a wholly-owned subsidiary of Omega Insurance Holdings Limited. OSIL is a registered Class 3 Bermuda Insurer.

Syndicate 958 renewed its gross whole account quota share contract with OSIL for the 2008 year of account but at the reduced level of 20% (for the 2007 year of account the total cession to OSIL was 27.50%, of which 10% represented the QQS). This provided the Syndicate with proportional reinsurance protection across its whole account on terms that the Board of OUAL believes were not available from other reinsurers. These arrangements were provided on a full "follow the fortunes" basis and as such had no event or occurrence limits. The Syndicate benefits from an average overriding commission of 3.9% and a 20% profit commission on these arrangements.

During 2008, the Syndicate ceded £88.7m of net signed premium to OSIL and collected £22m in reinsurance recoveries. At 31 December 2008 the Syndicate owed OSIL £12.5m of net signed premiums and was due to recover £13.7m on paid claims, with a further £38.2m due on incurred claims.

At 31 December 2008, Syndicate 958 owed outstanding interest to OSIL on the funds withheld balance relating to the 2007 year of account protections of £2.8m.

Axiom Consulting Limited

Axiom Consulting Limited provides financial and other services both to the Omega Group and to Syndicate 958.

During the period, Syndicate 958 paid £197k to Axiom. No amounts were outstanding at the year end.

Harman Wicks & Swayne

Roger Morgan is the non-executive chairman of Omega Underwriting Agents Limited. During the period Mr. Morgan held the position of non-executive chairman of Harman Wicks & Swayne, a Lloyd's broker which places business with Syndicate 958. Mr. Morgan's role changed and he became a remunerated consultant when Harman Wicks & Swayne was acquired by Lloyd's broker, JLT Re during 2008. Harman Wicks & Swayne and JLT Re placed business with Syndicate 958 to the value of £2.6m during the period.

18. Funds at Lloyd's

Every member is required to hold capital at Lloyds 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 settle losses.

Additional Information
Calendar Year Investment Yield

The Following is Provided by way of Additional Information and does not form part of these Accounts

Calendar Year Investment Yield

		2008 000's
Average monthly syndicate funds	£	18,760
	US$	497,321
	Can $	29,449
	Euro	37,271
	Sterling Equivalent	416,945
Aggregate investment return for the year	£	843
	US$	28,607
	Can $	1,123
	Euro	2,087
	Sterling Equivalent	23,369
Calendar year investment yield	£	4.49%
	US$	5.75%
	Can $	3.81%
	Euro	5.60%
	Sterling Equivalent	5.60%