



OMEGA

*Syndicate Underwriting Year Accounts
for the 2006 Year of Account*

CLOSED AT 31 DECEMBER 2008

SYNDICATE 958

OMEGA UNDERWRITING AGENTS

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DIRECTORS AND ADMINISTRATION

MANAGING AGENT

Omega Underwriting Agents Limited

DIRECTORS

Mr. A. J. Adie (*appointed 21st November 2006*)

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

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

Mr. M. I. Daly

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

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. C. F. Palmer (non-executive)
(*resigned 21st November 2006*)

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

The managing agent presents its report at 31 December 2008 for the 2006 closed year of account.

This report is prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005). It accompanies the underwriting year accounts prepared on an underwriting basis of accounting as required by Statutory Instrument No. 3219 of 2004, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations ("the 2004 Regulations").

REVIEW OF THE 2006 CLOSED YEAR OF ACCOUNT

The 2006 year has closed with a profit of £58.3m after personal expenses but before members' agents' fees (23.4% of capacity). The profit can be broken down into a pure year profit of £62.2m and a deficit on the reserves for the 2005 and prior years of £3.9m.

The effects of benign catastrophe experience and rate rises achieved as a result of losses caused by the 2004 and 2005 hurricanes have combined to produce a healthy profit overall, which exceeds the forecast profit range previously disclosed of 14% - 19%. As is commented upon at length in the 2008 annual GAAP accounts, however, this is primarily due to the extraordinary effects of the financial turmoil experienced during the course of 2008. The weakening of Sterling against the major currencies and the flight to quality in the investment markets combined to enhance significantly profit levels for the Syndicate, which if removed brings the result back within the published range.

With regard to the performance of the 2005 and prior years, 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.

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 is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by the Board of Directors
20 March 2009

A.J. Adie
Managing Director
Omega Underwriting Agents Limited

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004 require the managing agent to prepare syndicate underwriting year accounts at 31 December in respect of any underwriting year which is being closed by reinsurance to close which give a true and fair view of the result of the underwriting year at closure. Detailed requirements in respect of the underwriting year accounts are set out in the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

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

- select suitable accounting policies which are applied consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable as between the members of the syndicate affected. In particular, the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and reinsured members are members of the same syndicate for different years of account, be equitable between them, having regard to the nature and amount of the liabilities reinsured;

- take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the underwriting year accounts.

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SYNDICATE 958 – 2006 CLOSED YEAR OF ACCOUNT

We have audited the syndicate's underwriting year accounts for the 2006 closed year of account for the three years ended 31 December 2008, which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the related notes 1 to 19 and the Statement of Managing Agent's responsibilities. 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

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

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

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

We read the other information contained in the syndicate's underwriting year accounts for the 2006 closed year of account. This other information comprises only the Managing Agent's Report and the Seven Year Summary of Results of Closed Years. We consider the implications for our report if we become aware of any apparent misstatement or material inconsistency with the underwriting year accounts. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion the underwriting year accounts give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the result of the 2006 closed year of account.

Ernst & Young LLP

Registered Auditor
London

20 March 2009

**PROFIT AND LOSS ACCOUNT:
TECHNICAL ACCOUNT – GENERAL BUSINESS**

FOR THE 2006 CLOSED YEAR OF ACCOUNT
FOR THE THREE YEARS ENDED 31 DECEMBER 2008

	NOTES	2006 AFTER 3 YEARS £000	2005 AFTER 3 YEARS £000
Syndicate allocated capacity		<u>248,783</u>	<u>223,975</u>
Earned premiums, net of reinsurance			
Gross premiums written	3	259,979	273,891
Outward reinsurance premiums		<u>(74,375)</u>	<u>(70,427)</u>
Earned premiums, net of reinsurance		185,604	203,464
Reinsurance to close premium received, net of reinsurance	4	<u>96,777</u>	<u>55,429</u>
		282,381	258,893
Allocated investment return transferred from the non-technical account		15,928	12,727
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		106,561	255,798
Reinsurers' share		<u>(23,274)</u>	<u>(181,889)</u>
		83,287	73,909
Reinsurance to close premium payable, net of reinsurance	5	<u>135,457</u>	<u>96,777</u>
		218,744	170,686
Net operating expenses	6	<u>21,242</u>	<u>81,268</u>
Balance on the technical account – general business	10	<u>58,323</u>	<u>19,666</u>



**PROFIT AND LOSS ACCOUNT:
NON-TECHNICAL ACCOUNT**

FOR THE 2006 CLOSED YEAR OF ACCOUNT
FOR THE THREE YEARS ENDED 31 DECEMBER 2008

		2006 AFTER 3 YEARS £000	2005 AFTER 3 YEARS £000
	NOTES		
Balance on the technical account for general business		58,323	19,666
Investment income	9	11,382	10,592
Unrealised gains on investments		2,331	2,283
Gains on the realisation of investments		2,471	43
Investment expenses and charges	9	(256)	(191)
Allocated investment return transferred to general business technical account		(15,928)	(12,727)
Profit for the 2006 closed year of account		<u>58,323</u>	<u>19,666</u>

BALANCE SHEET

FOR THE 2006 CLOSED YEAR OF ACCOUNT
AT 31 DECEMBER 2008

	NOTES	2008 £000	2007 £000
Assets			
Investments	11	128,920	104,781
Deposits with ceding undertakings		405	50
Debtors	12	46,571	11,462
Reinsurance recoveries anticipated on gross reinsurance to close premium payable to close the account	5	24,197	22,042
Other Assets			
Cash at bank and in hand		21,575	6,857
Other	13	16,990	11,562
Prepayments and accrued income			
Accrued interest		932	315
Total assets		<u>239,590</u>	<u>157,069</u>
Liabilities			
Amounts due to members	14	57,079	18,421
Reinsurance to close premium payable to close the account – gross amount	5	159,654	118,819
Deposits received from reinsurers		4,735	-
Creditors	15	16,695	18,421
Accruals and deferred income		1,427	1,408
Total liabilities		<u>239,590</u>	<u>157,069</u>

The financial statements on page 3 and pages 5 to 18 were approved by the Board of Omega Underwriting Agents Limited on 20 March 2009 and were signed on its behalf by

J. B. Raishbrook
Finance Director
20 March 2009



CASH FLOW STATEMENT

FOR THE 2006 CLOSED YEAR OF ACCOUNT
FOR THE THREE YEARS ENDED 31 DECEMBER 2008

	NOTES	<u>2008</u> <u>£000</u>	<u>2007</u> <u>£000</u>
Net cash inflow from operating activities	16	26,543	64,423
Members' agents' fees paid on behalf of members		<u>(1,244)</u>	<u>(1,246)</u>
	17	<u>25,299</u>	<u>63,177</u>
Cash flows were invested as follows:			
Increase in cash holdings	17	19,288	6,502
Increase in overseas deposits		1,915	896
Net portfolio investment		<u>4,096</u>	<u>55,779</u>
Net investment of cash flows		<u>25,299</u>	<u>63,177</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 2006 CLOSED YEAR OF ACCOUNT AT 31 DECEMBER 2008

1. BASIS OF PREPARATION

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

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These accounts relate to the 2006 year of account which has been closed by reinsurance to close as at 31 December 2008. Consequently the balance sheet represents the assets and liabilities of the 2006 year of account at the date of closure. The profit and loss account and cash flow statement reflect the transactions for that year of account during the three year period until closure.

These accounts cover the three years from the date of inception of the 2006 year of account to the date of closure. Corresponding amounts are shown for the 2005 year of account as closed after three years.

2. ACCOUNTING POLICIES

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

PREMIUMS WRITTEN

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

Premiums written are treated as fully earned.

REINSURANCE PREMIUM CEDED

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

CLAIMS PAID AND RELATED RECOVERIES

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

REINSURANCE TO CLOSE PREMIUM PAYABLE

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

2. ACCOUNTING POLICIES CONTINUED

The estimate of claims outstanding is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date. It also includes the estimated cost of claims incurred but not reported ('IBNR') at the balance sheet date based on statistical methods.

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based on assessments of the business accepted and underwriting conditions.

The reinsurers' share is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved.

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

The directors consider that the estimates of gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the reinsurance to close premium so determined.

FOREIGN CURRENCIES

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

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

Exchange differences are included in the technical account.

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

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.

2. ACCOUNTING POLICIES CONTINUED

INVESTMENT RETURN

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest. The returns on the Joint Asset Trust Funds and Illinois Deposit are allocated to the year of account as notified by Lloyd's. The returns on other assets arising in a calendar year are apportioned to years of account open during the calendar year in proportion to the average funds available for investment on each year of account.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and 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.

OPERATING EXPENSES

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

TAXATION

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

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

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

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 and it is included within members' standard personal expenses within administrative expenses.

3. SEGMENTAL ANALYSIS

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

	GROSS PREMIUMS WRITTEN (NOTE 1) £000	GROSS CLAIMS INCURRED (NOTE 2) £000	GROSS OPERATING EXPENSES £000	RE- INSURANCE BALANCE (NOTE 3) £000	TOTAL £000
Direct insurance:					
Accident and health	2,654	(1,095)	(537)	(168)	854
Motor (third party liability)	806	(271)	(91)	(27)	417
Motor (other classes)	1,799	(869)	(251)	(81)	598
Marine, Aviation and Transport	9,413	(6,414)	(1,291)	(1,394)	314
Fire and other damage to property	44,039	(25,338)	(8,075)	(3,613)	7,013
Third party liability	33,109	(19,628)	(5,390)	(1,726)	6,365
Miscellaneous	2,632	(1,653)	(522)	(180)	277
	<u>94,452</u>	<u>(55,268)</u>	<u>(16,157)</u>	<u>(7,189)</u>	<u>15,838</u>
Reinsurance	<u>165,527</u>	<u>(85,858)</u>	<u>(11,680)</u>	<u>(37,573)</u>	<u>30,416</u>
	259,979	(141,126)	(27,837)	(44,762)	46,254
RITC received	<u>118,819</u>	<u>(125,089)</u>	<u>(868)</u>	<u>3,279</u>	<u>(3,859)</u>
	<u>378,798</u>	<u>(266,215)</u>	<u>(28,705)</u>	<u>(41,483)</u>	<u>42,395</u>

1. Gross premiums earned are identical to gross premiums written.
2. Gross claims incurred comprises gross claims paid and gross reinsurance to close premium payable.
3. The reinsurance balance comprises reinsurance premiums ceded and reinsurance recoveries anticipated on reinsurance to close receivable less reinsurance recoveries on claims paid, reinsurance recoveries anticipated on reinsurance to close payable and reinsurance commissions receivable.
4. All premiums are concluded in the UK.

4. REINSURANCE TO CLOSE PREMIUM RECEIVABLE

	2008 £000	2007 £000
Gross reinsurance to close premium receivable	118,819	64,548
Reinsurance recoveries anticipated	<u>22,042</u>	<u>9,119</u>
Reinsurance to close premium receivable, net of reinsurance	<u>96,777</u>	<u>55,429</u>

5. REINSURANCE TO CLOSE PREMIUM PAYABLE

	2008 £000	2007 £000
Gross outstanding claims	104,253	79,417
Reinsurance recoveries anticipated	<u>22,634</u>	<u>22,042</u>
	81,619	57,375
Provision for claims incurred but not reported	55,401	39,402
Reinsurance recoveries anticipated	<u>1,563</u>	<u>—</u>
	53,838	39,402
Reinsurance to close payable, net of reinsurance	<u>135,457</u>	<u>96,777</u>

The reinsurance to close of the 2006 year of account is effected to the 2007 year of account of Syndicate 958.

6. NET OPERATING EXPENSES

	<u>2008</u> <u>£000</u>	<u>2007</u> <u>£000</u>
Acquisition costs	55,073	60,643
Reinsurers' commissions and profit participations	<u>(7,463)</u>	<u>(3,809)</u>
	47,610	56,834
Members' personal expenses	17,297	8,065
Other administrative expenses	7,084	8,065
(Profit)/Loss on exchange	<u>(50,749)</u>	<u>8,304</u>
	<u>21,242</u>	<u>81,268</u>

A significant component of the profit on exchange (£28.0m) relates to the retranslation of the reinsurance to close receivable. Further profit on exchange has been generated due to the material difference between average and year end rates of exchange.

Other administrative expenses include:

	<u>2008</u> <u>£000</u>	<u>2007</u> <u>£000</u>
Auditors' remuneration		
– Audit services	<u>202</u>	<u>200</u>

7. STAFF NUMBERS AND COSTS

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

	<u>2008</u> <u>£000</u>	<u>2007</u> <u>£000</u>
Wages and salaries	2,883	3,208
Social security costs	325	384
Other pension costs	<u>310</u>	<u>235</u>
	<u>3,518</u>	<u>3,827</u>

The average number of employees employed by Omega Administration Services Limited but working for the syndicate during the three years was as follows:

	<u>2008</u> <u>NUMBER</u>	<u>2007</u> <u>NUMBER</u>
Administration and finance	14	13
Underwriting	14	14
Claims	<u>4</u>	<u>4</u>
	<u>32</u>	<u>31</u>

8. 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:

	<u>2008</u> <u>£000</u>	<u>2007</u> <u>£000</u>
Fees	-	78
Emoluments	<u>473</u>	<u>742</u>
	<u>473</u>	<u>820</u>

From 2006, fees payable to the non-executive directors have been charged to Omega Underwriting Agents Limited.

In 2006 a greater proportion of directors' emoluments has been absorbed by the Omega Group.

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

	<u>£000</u>	<u>£000</u>
Emoluments	<u>171</u>	<u>239</u>

9. INVESTMENT RETURN

	<u>2008</u> <u>£000</u>	<u>2007</u> <u>£000</u>
Investment income		
Income from investments	11,382	10,592
Gains on realisation of investments	<u>2,959</u>	<u>43</u>
	14,341	10,635
Unrealised gains/(losses) on investments	2,331	2,283
Investment Expenses and Charges		
Investment management expenses	(256)	(191)
Losses on realisation of investments	<u>(488)</u>	<u>-</u>
	(744)	(191)
	<u>15,928</u>	<u>12,727</u>

The syndicate's investment portfolios were managed by AllianceBernstein until 31 October 2008 when Crédit Agricole Asset Management (UK) Limited was appointed.

10. BALANCE ON TECHNICAL ACCOUNT

	<u>2008</u> <u>£000</u>	<u>2007</u> <u>£000</u>
Balance excluding investment return and operating expenses other than acquisition costs		
Profit attributable to business allocated to the 2006 pure year of account	18,608	26,277
Profit attributable to business reinsured into the 2006 year of account	<u>(2,581)</u>	<u>5,096</u>
	16,027	31,373
Allocated investment return transferred from the non-technical account	15,928	12,727
Net operating expenses other than acquisition costs	<u>26,368</u>	<u>(24,434)</u>
	<u>58,323</u>	<u>19,666</u>

11. INVESTMENTS

	2008		2007	
	MARKET VALUE £000	COST £000	MARKET VALUE £000	COST £000
Shares and other variable yield securities	3,383	3,383	2,762	2,762
Debt securities and other fixed income securities	125,376	123,890	102,001	99,964
Participation in investment pools	29	29	9	9
Deposits with credit institutions	<u>132</u>	<u>132</u>	<u>9</u>	<u>9</u>
	<u>128,920</u>	<u>127,434</u>	<u>104,781</u>	<u>102,744</u>

12. DEBTORS

	<u>2008</u> <u>£000</u>	<u>2007</u> <u>£000</u>
Arising out of direct insurance operations:		
Due from intermediaries	5,764	54
Arising out of reinsurance operations	17,111	7,639
Other	<u>23,696</u>	<u>3,769</u>
	<u>46,571</u>	<u>11,462</u>

13. OTHER ASSETS - OTHER

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

14. AMOUNTS DUE TO MEMBERS

	<u>2008</u> <u>£000</u>	<u>2007</u> <u>£000</u>
Profit for the 2006 (2005) closed year of account	58,323	19,666
Members' agents' fee advances	(1,244)	(1,246)
Continuous solvency transfers	–	(15,075)
Cash Call	–	15,076
Amounts due to members at 31 December 2008	<u>57,079</u>	<u>18,421</u>

15. CREDITORS

	<u>2008</u> <u>£000</u>	<u>2007</u> <u>£000</u>
Arising out of direct insurance operations		
Due to intermediaries	3,389	2,126
Arising out of reinsurance operations	1,606	1,586
Managing Agent's profit commission	11,700	4,146
Other	–	10,563
	<u>16,695</u>	<u>18,421</u>

16. RECONCILIATION OF PROFIT FOR THE YEAR OF ACCOUNT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	<u>2008</u> <u>£000</u>	<u>2007</u> <u>£000</u>
Profit for the year of account	58,323	19,666
Realised and unrealised investment gains including foreign exchange	(38,248)	(3,691)
Increase in debtors	(35,239)	(5,151)
Increase in creditors	3,027	213
Non-cash consideration for net RITC receivable	(96,777)	(43,391)
Net reinsurance to close premium payable	<u>135,457</u>	<u>96,777</u>
Net cash inflow from operating activities	<u>26,543</u>	<u>64,423</u>

	<u>2008</u> <u>£000</u>	<u>2007</u> <u>£000</u>
Consideration for net RITC receivable comprised:		
Non-cash consideration:		
Portfolio investments	92,781	45,820
Overseas deposits	11,562	10,563
Debtors	12,263	6,625
Creditors	<u>(19,829)</u>	<u>(19,617)</u>
	96,777	43,391
Cash	–	12,038
	<u>96,777</u>	<u>55,429</u>

17. MOVEMENT IN OPENING AND CLOSING PORTFOLIO INVESTMENTS NET OF FINANCING

	<u>2008</u> <u>£000</u>	<u>2007</u> <u>£000</u>
Net cash inflow from the three years	19,288	6,502
Cash flow		
Increase in overseas deposits	1,915	896
Portfolio investments	<u>4,096</u>	<u>55,779</u>
Movement arising from cash flows	25,299	63,177
Received as consideration for net RITC receivable		
Overseas deposits	11,562	10,563
Portfolio investments	92,781	45,820
Changes in market value and exchange rates	<u>38,247</u>	<u>3,691</u>
Total movement in portfolio investments	167,889	123,251
Portfolio at 1 January 2006	<u>–</u>	<u>–</u>
Portfolio at 31 December 2008	<u>167,889</u>	<u>123,251</u>

MOVEMENT IN CASH, PORTFOLIO INVESTMENTS AND FINANCING

	<u>AT</u> <u>1 JANUARY</u> <u>2006</u> <u>£000</u>	<u>RECEIVED AS</u> <u>CASH</u> <u>FLOW</u> <u>£000</u>	<u>CONSIDERATION</u> <u>FOR NET RITC</u> <u>RECEIVABLE</u> <u>£000</u>	<u>CHANGES</u> <u>TO MARKET</u> <u>VALUE AND</u> <u>CURRENCIES</u> <u>£000</u>	<u>AT</u> <u>31 DECEMBER</u> <u>2008</u> <u>£000</u>
Cash at bank and in hand	–	19,288	–	2,287	21,575
Overseas deposits	–	1,915	11,562	3,513	16,990
Portfolio investments:					
Shares and other variable yield securities	–	2,776	–	607	3,383
Debt securities and other fixed	–	865	92,781	31,730	125,376
Income securities					
Participation in investment pools	–	23	–	6	29
Deposits with ceding undertakings	–	329	–	75	404
Deposits with credit institutions	<u>–</u>	<u>103</u>	<u>–</u>	<u>29</u>	<u>132</u>
Total portfolio investments	<u>–</u>	<u>4,096</u>	<u>92,781</u>	<u>32,447</u>	<u>129,324</u>
Total cash, portfolio investments and financing	<u>–</u>	<u>25,299</u>	<u>104,343</u>	<u>38,247</u>	<u>167,889</u>

18. NET CASH OUTFLOW ON PORTFOLIO INVESTMENTS

	<u>2008</u> <u>£000</u>	<u>2007</u> <u>£000</u>
Purchase of shares and other variable yield securities	(2,776)	(2,747)
Purchase of debt securities and other fixed income securities	(187,371)	(169,233)
Purchase of participation in investment pools	(23)	(9)
Purchase of deposits with credit institutions	(103)	(9)
Purchase of deposits with ceding undertakings	(329)	(50)
Sale of debt securities and other fixed income securities	186,506	116,269
Net cash outflow on portfolio investments	<u>(4,096)</u>	<u>(55,779)</u>

19. RELATED PARTIES

Profit commission of £11,700,000 is payable by the syndicate to Omega Underwriting Agents Limited in respect of profits for the 2006 closed year of account.

Managing agency fees of £1,867,000 were paid by the syndicate to Omega Underwriting Agents Limited.

**THE FOLLOWING IS PROVIDED BY WAY OF ADDITIONAL INFORMATION
AND DOES NOT FORM PART OF THESE ACCOUNTS**



SEVEN YEAR SUMMARY OF RESULTS OF CLOSED YEARS

AT 31 DECEMBER 2008

	2000 £000's	2001 £000's	2002 £000's	2003 £000's	2004 £000's	2005 £000's	2006 £000's
Syndicate allocated capacity	50,832	59,844	109,893	153,756	224,068	223,975	248,783
Number of underwriting members	956	994	1,092	1,232	1,376	1,413	1,447
Aggregate net premiums	28,733	33,600	59,540	87,666	128,813	140,930	172,478

RESULTS FOR AN ILLUSTRATIVE SHARE (£10,000)

	£	£	£	£	£	£	£
Gross premium	7,777	8,418	7,533	7,851	7,591	9,039	10,311
Net premiums	5,652	5,615	6,418	5,702	5,752	6,292	6,933
Premium for the reinsurance to close an earlier year of account	1,615	1,869	1,686	1,752	1,431	2,474	5,016
Net claims	(4,290)	(3,482)	(3,109)	(2,966)	(3,347)	(3,295)	(4,231)
Premium for the reinsurance to close the year of account	(2,385)	(3,268)	(2,243)	(2,332)	(2,475)	(4,321)	(5,445)
Profit/(loss) on exchange	80	31	29	127	(97)	(104)	273
Syndicate operating expenses	(403)	(414)	(397)	(397)	(278)	(366)	(339)
Balance on technical account	269	351	1,384	1,885	986	680	2,207
Investment return	289	269	151	155	217	558	833
Profit before personal expenses	558	620	1,535	2,040	1,202	1,238	3,040
Illustrative profit commission	(73)	(90)	(267)	(368)	(190)	(185)	(470)
Illustrative managing agent's fee	(60)	(70)	(75)	(75)	(75)	(75)	(75)
Other illustrative personal expenses	(135)	(100)	(125)	(125)	(175)	(100)	(150)
Illustrative personal expenses	(195)	(170)	(200)	(200)	(250)	(175)	(225)
Profit after illustrative profit commission and personal expenses	290	360	1,068	1,472	762	878	2,344
Aggregate annual fee, profit commission and syndicate expenses	(536)	(574)	(739)	(840)	(543)	(626)	(884)

UNDERWRITING RATIOS

	%	%	%	%	%	%	%
Gross premium as a percentage of allocated capacity	77.8	84.2	75.3	78.5	75.9	90.4	103.1
Net premium as a percentage of allocated capacity	56.5	56.1	54.2	57.0	57.5	62.9	69.3
Balance on technical account as a percentage of gross premiums	3.5	4.2	18.4	24.0	13.0	7.5	21.4

Notes to the Seven Year Summary

- The seven year summary has been prepared on the accounting basis used before the adoption of UK GAAP Accounting. Prior to 1 January 2005, the syndicate accounts were prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (No. 18 of 1994). Syndicate results were reported on the three year basis whereby each underwriting year of account was normally kept open for three years. The result was ascertained at the end of the third year when the year of account was closed by reinsurance, normally to the syndicate's following year of account. Under the three year basis, premiums were recognised net of brokerage.*
- The illustrative profit commissions and personal expenses are estimates of amounts which are charged on an illustrative share of £10,000.*
- Under the standard agency agreement in force, an underwriting member who dies during the calendar year does not participate in that underwriting year of account.*
- All prior year figures derived from previously audited reports.*

