

HARDY

Syndicate 38*Twenty*



Report & Accounts **2008**



CONTENTS

Directors and administration	1
Report of the directors of the managing agent	2-5
Statement of managing agent's responsibilities	6
Independent auditor's report	7-8
Profit and loss account: Technical Account	9
Profit and loss account: Non-Technical Account	10
Balance sheet: Assets	11
Balance sheet: Liabilities	12
Statement of cash flows	13
Notes to the financial statements	14-20



DIRECTORS AND ADMINISTRATION

MANAGING AGENT

Hardy (Underwriting Agencies) Limited

NON-EXECUTIVE DIRECTORS

DP Mann (Chairman)

RD Abbott (appointed 20 February 2008)

BG Devereese

IE Ivory

BS Thomas (appointed 20 February 2008)

EXECUTIVE DIRECTORS

JEG Barker (resigned 31 December 2008)

PJ Gage

TP Griffin

T Hutchings

JD MacDiarmid

BJ Merry

MJ Simpson

MTA Sugden

AJ Walker

AD Williams

COMPANY SECRETARY

T Hutchings

MANAGING AGENT'S REGISTERED OFFICE

4th Floor

40 Lime Street

London EC3M 7AW

MANAGING AGENT'S REGISTERED NUMBER

1264271

ACTIVE UNDERWRITER

PJ Gage

BANKERS

Citibank N.A.

Lloyds TSB Bank plc

INVESTMENT MANAGERS

Credit Agricole Asset Management

REGISTERED AUDITOR

KPMG Audit Plc

REPORTING ACTUARIES

PricewaterhouseCoopers LLP

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The directors of Hardy (Underwriting Agencies) Limited ("HUA") 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* which came into force on 31 December 2004.

The directors who served during the period were as follows:

NON-EXECUTIVE DIRECTORS	EXECUTIVE DIRECTORS	
DP Mann (Chairman)	JEG Barker (resigned 31 December 2008)	BJ Merry
RD Abbott (appointed 20 February 2008)	PJ Gage	MJ Simpson
BG Devereese	TP Griffin	MTA Sugden
IE Ivory	T Hutchings	AJ Walker
BS Thomas (appointed 20 February 2008)	JD MacDiarmid	AD Williams

DIRECTORS' INTERESTS

None of the directors were members of the syndicate for the year of account under review.

DISCLOSURE OF INFORMATION TO THE AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the syndicate's auditors are unaware. Each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the syndicate's auditors are aware of that information.

AUDITOR

The managing agent appointed KPMG Audit Plc as the syndicate auditor on 23 February 2009.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the business is underwriting general insurance and reinsurance business in the United Kingdom via its two managed syndicates, 382 and 38*Twenty*.

The result for the 2008 calendar year is a profit of £6,572,000 (2007:loss of £363,600).

The result for the calendar year together with key performance ratios is shown below:

	2008	2007
Gross premiums written (£m)	56.4	40.5
Net premiums written (£m)	37.2	26.5
Net premiums earned (£m)	33.1	11.7
Profit/(loss) for the year (£m)	6.6	(0.4)
Claims ratio (%)	60.8	49.4
Expenses ratio (%)	22.4	56.0
Combined ratio (%)	83.2	105.4

The claims ratio is the ratio of claims incurred net of reinsurance to earned premiums net of reinsurance.

The expense ratio is the ratio of net operating expenses to earned premiums net of reinsurance.

The expense ratio includes gains and losses arising from changes in foreign exchange rates. The 2008 result has benefited from a foreign exchange gain of £4.6m (2007: gain of £0.1m).

HUA is a wholly owned subsidiary of Hardy Underwriting Group plc ("HUG") which provides 100% of the syndicate's capacity through the Groups's other subsidiary, Hardy Underwriting Limited ("HUL"), a corporate member at Lloyd's.

Hardy Underwriting Bermuda Limited is the ultimate parent company of HUA following the redomicile to Bermuda in February 2008.

The syndicate ceased underwriting at December 2008 and was merged into syndicate 382 for the 2009 underwriting year.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT - CONTINUED

OVERALL PROFILE

Syndicate 38*Twenty* was established in 2007 to develop a non-marine property account providing a broadly diversified portfolio of predominantly short tail risk and offering lead capabilities.

The syndicate wrote a mixture of direct & facultative (D&F) property, property treaty and miscellaneous short tail classes of business.

2008 was a difficult year for the D&F market, with an unusually high incidence of major commercial property losses coming at a relatively low point in the rating cycle. This was exacerbated by the fluctuations in commodity prices which affected the level of claims for business interruption.

Conversely, despite hurricane Ike, 2008 was a relatively benign year for catastrophe losses worldwide, and the syndicate's well spread book of business was able to generate good profits.

The contribution to the 2008 result from each of the main classes is shown below.

	£millions
International D&F	(0.7)
US D&F	(1.0)
Personal Accident Catastrophe Treaty	0.5
Property Treaty	6.0
Speciality Lines	1.8
Profit for the financial year	6.6

INVESTMENT PERFORMANCE

Investment returns have contributed £1,000,500 (2007: £270,200) to the result during 2008. The syndicate only held balances in cash and cash deposits at 31 December 2008 and therefore has no exposure to any issues emanating from the ongoing turmoil in the financial markets.

	Average balance £'000	Return %	Return £'000
Sterling	5,578	9.58	534
Euros	77	2.60	2
US dollars	24,289	1.64	398
Canadian dollars	3,961	1.67	66
	33,905	2.95	1,000
Investment expenses and charges			-
			1,000

FOREIGN CURRENCY EXPOSURE

The syndicate underwrites across all four Lloyd's reporting currencies, with a significant concentration in US dollar denominated business. During each underwriting year, currency balances may be sold to cover syndicate expenses, which are denominated in sterling.

SYNDICATE OPERATING EXPENSES

HUA charges a fixed fee of 0.75% of allocated capacity, with all expenses borne by HUA being apportioned between the managing agent and the syndicate to reflect the benefit obtained by each party.

The terms of the agent's remuneration are:

- Annual fee - 0.75% of premium capacity limit.
- Profit commission – 17.5%.

By order of the Board



T Hutchings
Secretary
London
18 March 2009

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The managing agent is responsible for preparing the syndicate annual report and accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004 require the managing agent to prepare the syndicate annual accounts at 31 December each year in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice). The annual accounts are required by law to give a true and fair view of the state of affairs of the syndicate as at that date and of its profit or loss for that year.

In preparing the syndicate annual accounts, the managing agent is required to:

- select suitable accounting policies which are applied consistently, subject to changes arising on the adoption of new accounting standards in the year;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and
- 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 and the relevant provisions of the Companies Act 1985. 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 website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SYNDICATE 38*TWENTY*

We have audited the syndicate 38*Twenty* 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 16. The syndicate annual accounts have been prepared under the accounting policies set out therein.

This report is made solely to the member of the syndicate, 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 member those matters we are required to state 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 member as a body for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF MANAGING AGENT AND AUDITORS

The managing agent's responsibilities for preparing the syndicate annual accounts in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of managing agent's responsibilities on page 6.

Our responsibility is to audit the syndicate 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 syndicate annual accounts give a true and fair view and are properly prepared 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 report of the directors of the managing agent is consistent with the syndicate annual accounts.

In addition we report to you if, in our opinion, the managing agent has not kept proper accounting records in respect of that syndicate, if the syndicate annual accounts are not in agreement with the 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 the directors of the managing agent and other transactions is not disclosed.

We read the other information attached to the syndicate annual accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the syndicate annual 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 syndicate annual accounts. It also includes an assessment of the significant estimates and judgments made by the managing agent in the preparation of the syndicate annual accounts, and of whether the accounting policies are appropriate to the syndicate's circumstances, consistently applied and adequately disclosed.

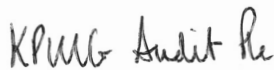
INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SYNDICATE 38TWENTY - CONTINUED

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 syndicate 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 syndicate annual accounts.

OPINION

In our opinion:

- the syndicate annual accounts give a true and fair view in accordance with UK Generally Accepted Accounting Practice, of the state of syndicate 38Twenty's affairs as at 31 December 2008 and of its profit for the year then ended;
- the syndicate 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 syndicate annual accounts.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
London
EC4Y 8BB

18 March 2009

PROFIT AND LOSS ACCOUNT: TECHNICAL ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 £'000	2007 £'000
Gross premiums written	3	56,426	40,520
Outward reinsurance premiums		(19,220)	(14,039)
Net premiums written		37,206	26,481
Change in the provision for unearned premiums			
Gross amount		(4,809)	(18,510)
Reinsurers' share		722	3,682
Change in the net provision for unearned premiums		(4,087)	(14,828)
Earned premiums, net of reinsurance		33,119	11,653
Allocated investment return transferred from the non-technical account		1,000	270
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(13,555)	(1,177)
Reinsurers' share		5,616	328
Net claims paid		(7,939)	(849)
Change in the provision for claims			
Gross amount		(18,509)	(6,353)
Reinsurers' share		6,313	1,444
Change in the net provision for claims		(12,196)	(4,909)
Claims incurred, net of reinsurance	4	(20,135)	(5,758)
Net operating expenses	3,5	(7,412)	(6,529)
Balance on the technical account		6,572	(364)

PROFIT AND LOSS ACCOUNT: NON-TECHNICAL ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 £'000	2007 £'000
Balance on the technical account		6,572	(364)
Investment income	8	1,000	270
Unrealised gains on investments		-	-
Investment expenses and charges		-	-
Allocated investment return transferred to technical account		(1,000)	(270)
Profit/(loss) for the financial year		6,572	(364)

All operations relate to discontinued activities.

There are no recognised gains or losses in the accounting period other than those dealt with in the technical and non-technical accounts.

BALANCE SHEET: ASSETS

AT 31 DECEMBER 2008

	Notes	2008 £'000	2007 £'000
Investments			
Financial investments	9	-	-
Reinsurers' share of technical provisions			
Provision for unearned premiums		4,405	3,683
Claims outstanding		7,356	1,458
		11,761	5,141
Debtors			
	10		
Debtors arising out of direct insurance operations		15,602	326
Debtors arising out of reinsurance operations		10,863	13,641
Other debtors		6	-
		26,471	13,967
Other assets			
Cash at bank and in hand		30,390	15,059
Overseas deposits	11	3,657	403
		34,047	15,462
Prepayments and accrued income			
Accrued interest		288	29
Deferred acquisition costs		3,187	3,142
		3,475	3,171
Total assets		75,754	37,741

BALANCE SHEET: LIABILITIES

AT 31 DECEMBER 2008

	Note	2008 £'000	2007 £'000
Capital and reserves			
Member's balances	12	6,208	(364)
Technical provisions			
Provision for unearned premiums		23,319	18,510
Claims outstanding		27,382	6,382
		50,701	24,892
Creditors	10		
Creditors arising out of direct insurance operations		389	4
Creditors arising out of reinsurance operations		13,396	4,340
Other creditors		5,060	8,869
		18,845	13,213
Total liabilities		75,754	37,741

The financial statements on pages 9 to 20 were approved by the Board of Hardy (Underwriting Agencies) Limited on 18 March 2009.



PJ Gage
18 March 2009

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 £'000	2007 £'000
Profit/(loss) for the financial year		6,572	(364)
Unrealised investment and foreign exchange (gains)		(6,230)	(148)
Increase in technical provisions		19,188	19,751
(Increase) in debtors		(12,808)	(17,138)
Increase in creditors		5,633	13,213
Net cash inflow from operating activities		12,355	15,314
Transfer to members in respect of underwriting participations		-	-
		12,355	15,314
Cash flows were invested as follows			
Increase in cash holdings		9,163	14,925
Increase in deposits		3,192	389
Net investment of cash flows		12,355	15,314

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

1. BASIS OF PREPARATION

These annual accounts 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 by the Association of British Insurers in December 2006.

FRS 29 Financial Instruments: Disclosure, has been adopted for the first time from 1 January 2008. The adoption of FRS 29 has no impact on the profit for the financial year or member balances in either the current or the comparative periods as its provisions relate to disclosures.

2. ACCOUNTING POLICIES

The following principle accounting policies have been applied consistently in dealing with items which are considered material in relation to these financial statements.

PREMIUMS WRITTEN

Premiums written comprise premiums on contracts inception during the financial year as well as adjustments made in the year to premiums written in prior accounting periods. Premiums are shown gross of 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 the unexpired period 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 assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled at 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 the use of projections using past experience of the development of claims over time, to form a view of the likely ultimate claims experience for more recent underwriting, having regard to variations in the business accepted and in underlying terms and conditions. For the most recent years, where a higher degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

The reinsurers' share of 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 rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on

the basis of the information currently available to them. The ultimate liability will, however, vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Any adjustments to the amounts of claims provisions established in previous years are reflected in the financial statements in 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 entered into 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 on which the transaction is processed.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary assets and liabilities are translated at the average rates of exchange for the period. Unearned premium reserves and deferred acquisition costs are treated as non-monetary items.

Exchange differences are included in the technical account.

The following currency exchange rates have been used for principal foreign currency transactions:

	2008 Year-end rate	2008 Average rate	2007 Year-end rate	2007 Average rate
Euro	1.03	1.26	1.36	1.46
US dollar	1.44	1.85	1.99	2.00
Canadian dollar	1.77	1.96	1.96	2.15

INVESTMENTS

Investments are stated at current value at the balance sheet date. For this purpose, listed investments are stated at market value and deposits with credit institutions and overseas deposits are stated at cost.

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.

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

Investment return is initially recorded in the non-technical account. Investment return is 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 for the administration of managed syndicates, these expenses are apportioned using varying methods depending on the type of expense. Expenses which are

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2008

incurred jointly for the agency company and managed syndicates are apportioned between the agency company and the syndicates depending on the amount of work performed, resources used and the volume of business transacted.

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 the member 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 member on underwriting results.

PROFIT COMMISSION

Profit commission within these financial statements is charged by the managing agent at a rate of 17.5% 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.

Year ended 31 December 2008	Gross written premiums £'000	Gross premiums earned £'000	Gross claims incurred £'000	Net operating expenses £'000	Reinsurance balance £'000	Total £'000
Direct insurance						
Accident and health	511	974	(603)	(292)	(10)	69
Marine, aviation and transport	-	-	-	-	-	-
Fire and other damage to property	11,442	10,785	(11,045)	(1,420)	418	(1,262)
Third party liability	18	13	(5)	(3)	-	5
Total Direct	11,971	11,772	(11,653)	(1,715)	408	(1,188)
Reinsurance	44,455	39,845	(20,411)	(5,697)	(6,977)	6,760
Total	56,426	51,617	(32,064)	(7,412)	(6,569)	5,572

Year ended 31 December 2007	Gross written premiums £'000	Gross premiums earned £'000	Gross claims incurred £'000	Net operating expenses £'000	Reinsurance balance £'000	Total £'000
Direct insurance						
Accident and health	1,979	508	(268)	(323)	-	(83)
Marine, aviation and transport	667	348	(77)	(109)	(216)	(54)
Fire and other damage to property	9,125	4,632	(1,652)	(1,387)	(2,635)	(1,042)
Third party liability	4	2	(1)	(1)	(1)	(1)
Total Direct	11,775	5,490	(1,998)	(1,820)	(2,852)	(1,180)
Reinsurance	28,745	16,520	(5,532)	(4,709)	(5,733)	546
Total	40,520	22,010	(7,530)	(6,529)	(8,585)	(634)

All underwriting contracts were concluded in the UK.

4. CLAIMS OUTSTANDING

The reassessment of claims provisions brought forward in respect of the 2007 year, compared with payments and provisions for those years as at 31 December 2008 amounted to a deficit of £1,006,000.

	2007 and prior years £'000
Non-marine property	(1,192)
Property treaty	547
Speciality lines	(361)
	(1,006)

5. NET OPERATING EXPENSES

	2008 £'000	2007 £'000
Commissions	5,874	4,966
Other acquisition costs	1,822	1,689
Change in deferred acquisition costs	(45)	(3,142)
Administrative expenses	4,323	3,151
(Profit) on exchange	(4,562)	(135)
	7,412	6,529

	2008 £'000	2007 £'000
Administrative expenses include auditor's remuneration in respect of audit services of:	48	40

6. STAFF MEMBERS AND COSTS

All staff are employed by HUA. The following expenses were incurred in respect of services provided to the syndicate.

	2008 £'000	2007 £'000
Wages and salaries	1,717	1,371
Social security costs	224	201
Other pension costs	423	621
	2,364	2,193

The average number of employees employed by the managing agent during the year was as follows.

	2008 Number	2007 Number
Underwriting activities	12	7
Management and administration	11	7
	23	14

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2008

7. EMOLUMENTS OF THE DIRECTORS OF HARDY (UNDERWRITING AGENCIES) LIMITED

The directors of HUA received the following aggregate remuneration which was charged to the syndicate and included within net operating expenses.

	2008 £'000	2007 £'000
Fees	3	3
Emoluments	537	241
	540	244

	2008 £'000	2007 £'000
The active underwriter received emoluments of:	239	214

8. INVESTMENT INCOME

	2008 £'000	2007 £'000
Income from investments	1,000	270
	1,000	270

9. FINANCIAL INVESTMENTS

The syndicate held no investments in the year.

10. DEBTORS AND CREDITORS

All amounts are due within one year, unless disclosed separately on the face of the balance sheet.

11. OVERSEAS DEPOSITS

Overseas deposits are lodged as a condition of conducting underwriting business in certain territories.

12. RECONCILIATION OF MEMBER BALANCES

	2008 £'000	2007 £'000
Member balances at 1 January	(364)	-
Profit/(loss) for the financial year	6,572	(364)
Member balances at 31 December	6,208	(364)

The ultimate result, and assets and liabilities attributable to the member are assessed by reference to the policies incepting in that year of account.

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

	2008 £'000	2007 £'000		
Net cash inflow for the year				
Cash flow	9,163	14,925		
Increase in overseas deposits	3,192	389		
Increase in deposits with ceding undertakings	-	-		
Portfolio investments	-	-		
Movement arising from cash flows	12,355	15,314		
Changes in market values and exchange rates	6,230	148		
Total movement in portfolio investments	18,585	15,462		
Portfolio at 1 January	15,462	-		
Portfolio at 31 December	34,047	15,462		
Movement in cash, portfolio investments and financing				
	At 1 January 2008 £'000	Cash flow £'000	Changes to market value and currency £'000	At 31 December 2008 £'000
Cash at bank and in hand	15,059	9,163	6,169	30,391
Overseas deposits	403	3,192	61	3,656
Deposits with ceding undertakings	-	-	-	-
Portfolio investments				
Shares and other variable yield securities	-	-	-	-
Debt securities and other fixed income securities	-	-	-	-
Other loans	-	-	-	-
Total portfolio investments	-	-	-	-
Total cash, portfolio investments and financing	15,462	12,355	6,230	34,047

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2008

14. RELATED PARTIES

The immediate parent company of Hardy (Underwriting Agencies) Limited is Hardy Underwriting Group plc. The ultimate parent company is Hardy Underwriting Bermuda Limited. Group accounts for Hardy Underwriting Bermuda Limited are available from 40 Lime Street, London EC3M 7AW and Cedar House, 41 Cedar Avenue, PO Box HM 1838, Hamilton, HM HX.

Profit commissions of £1,316,941 is payable by the syndicate to Hardy (Underwriting Agencies) Limited as at 31 December 2008 (2007: Nil).

Profit commissions payable comprises £190,967 on 2007 account and £1,125,974 on 2008 account, being accruals for the 2007 and 2008 open years respectively.

Managing agent fees of £562,500 (2007: £487,500) were paid by the syndicate to Hardy (Underwriting Agencies) Limited.

On 1 January 2007, syndicate 38*Twenty* borrowed £2,500,000 and US\$5,000,000 from syndicate 382 which is also managed by HUA. Under the terms of the loan agreement, interest was charged at 1.5% above the overnight LIBOR rate applicable in each currency. These loans including accrued interest were fully repaid in April 2008

15. FUNDS AT LLOYD'S

Every member of Lloyd's is required to hold capital at Lloyd's. This capital is held in trust and is known as Funds at Lloyd's ("FAL"). The 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 ultimately determined by Lloyd's taking account, inter alia, of a number of factors including the nature and amount of underwriting risk assumed by the member and the assessment of the reserving risk in respect of business that has already been underwritten. FAL is not under the management of the managing agent, so no amounts have been shown in these financial statements to reflect it. The managing agent is able to make a call on members' FAL to meet liquidity requirements and to settle losses should this be required.

16. POST BALANCE SHEET EVENTS

Open year profit distributions of US\$902,049 on the 2007 account and US\$3,613,916 on the 2008 account are proposed to be transferred to the member's personal reserve fund during 2009.

Profit commissions of £109,624 (2007 account) and £439,191 (2008 account) have been paid to Hardy (Underwriting Agencies) Limited, being commissions payable based on the early release of profits on these underwriting years at 31 December 2008.



HARDY

LONDON

4th Floor
40 Lime Street
London,
EC3M 7AW

T: +44 (0)20 7626 0382
F: +44 (0)20 7283 4677

www.hardygroup.co.uk

BERMUDA

Cedar House
41 Cedar Avenue
PO Box HM 1838
Hamilton, HM HX

T: +1 441 292 5853
F: +1 441 292 5963

www.hardygroup.bm