



BVF (Underwriting Management) Limited

Report and Financial Statements
Year ended 31 December 2007



Company No: 838358

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COMPANY INFORMATION

Directors	T P C Olver S E Bruna	Chairman
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Secretary	Hampden Legal Plc
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Registered office	Hampden House Great Hampden Great Missenden Bucks HP16 9RD
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Registered number	838358
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Auditors	Seymour Taylor Chartered Accountants 57 London Road High Wycombe Bucks HP11 1BS
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REPORT OF THE DIRECTORS

The directors present their report and financial statements for the year ended 31 December 2007

Principal activities

The principal activity of the company continued to be the administration of the run-off business transacted as underwriting managers for a group of international insurance companies who accepted business in the name of the BVF Excess Loss Pool. This pool operated in the London Market between 1966 and 1980.

Business review and future developments

The directors consider the company to be in a good position to take advantage of future opportunities.

Results and dividends

The results of the company for the year ended 31 December 2007 are set out in the financial statements on pages 6 to 13.

The directors do not recommend the payment of a dividend (2006 - £Nil).

The loss for the year after taxation has been transferred to reserves.

Directors

The directors set out below have held office during the whole of the period from 1 January 2007 to the date of this report.

T P C Oliver
S E Bruna

T P C Oliver is a director of Hampden Holdings Limited.

Auditors

The auditors, Seymour Taylor, offer themselves for reappointment under the provisions of section 385 of the Companies Act 1985.

Financial risk management objectives and policies

The company does not accept new business and is in the process of running-off its historic operations. The directors have reviewed the risk profile of the company and are of the opinion that due to the nature of the company's operations, it is not exposed to significant price, credit or interest rate cash flow risks and that liquidity risks are limited to the recoverability of debtor balances, the payment of creditor balances and cash balances. The directors have reviewed the recoverability of debtor balances and are satisfied that they are recoverable in full. The directors have reviewed the likely payment of creditors and have minimized the risk of non-payment by securing financial support from other group companies, should it be required. The directors are satisfied that the company minimises any credit or liquidity risks by holding cash balances only with regulated UK banks.

REPORT OF THE DIRECTORS
(continued)

Statement of directors' responsibilities for the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true view of the state of affairs of the company and of the profit or loss for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- follow applicable accounting standards, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditor is unaware, and each director has taken all steps that he ought to have taken 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.

Approval

The report of the directors was approved by the Board on 23 October 2008 and signed on its behalf by



Hampden Legal Plc
Secretary

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF
BVF (UNDERWRITING MANAGEMENT) LIMITED**

We have audited the financial statements of BVF (Underwriting Management) Limited, for the year ended 31 December 2007, which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's shareholder as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholder 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 company and the company's shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and the auditors

As described in the Directors' Report, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Accounting (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company 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 directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements in it. Our responsibilities do not extend to any other information.

Basis of 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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 financial statements 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 financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF
BVF (UNDERWRITING MANAGEMENT) LIMITED (continued)**

Opinion

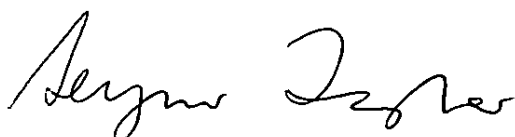
In our opinion

- the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended, and
- have been properly prepared in accordance with the Companies Act 1985
- the information given in the Directors Report is consistent with the financial statements

Emphasis of Matter – going concern

In forming our opinion, which is not qualified, we have considered the adequacy of disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company's current liabilities exceeds its total assets by £53,156 (2006 - £50,706). The validity of the going concern basis is dependent upon the level of financial support being given to the company by its ultimate parent company.

The financial statements do not include any adjustments that would result from a failure of the continuance of this funding.



Seymour Taylor
Chartered Accountants
Registered Auditors
57 London Road
High Wycombe
Bucks HP11 1BS

23 October 2008

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2007

	Notes	2007 £	2006 £
Turnover from continuing operations	3	151,766	151,766
Administrative expenses		<u>156,850</u>	<u>164,357</u>
Operating loss from continuing operations	5	(5,084)	(12,591)
Interest receivable	4	<u>2,634</u>	<u>2,434</u>
Loss on ordinary activities before taxation		(2,450)	(10,157)
Tax on ordinary activities	7	—=	—=
Retained loss for the financial year		£ (<u>2,450</u>)	£ (<u>10,157</u>)

The company has no recognised gains or losses other than the results for the year and the prior year

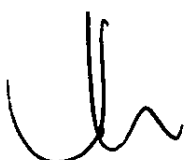
The loss for the year has been calculated on the historical cost basis

The notes on pages 9 to 13 form part of these financial statements

BALANCE SHEET
at 31 December 2007

	Notes	2007 £	2006 £
Current Assets			
Debtors	8	132,968	153,251
Cash at bank and in hand		<u>129,545</u>	<u>123,693</u>
		262,513	276,944
Creditors:			
Amounts falling due within one year	9	<u>315,669</u>	<u>327,650</u>
Net current liabilities		(<u>53,156</u>)	(<u>50,706</u>)
Net liabilities		£ (<u>53,156</u>)	£ (<u>50,706</u>)
Capital and reserves			
Called up share capital	10	100	100
Profit and loss account	11	(<u>53,256</u>)	(<u>50,806</u>)
Equity shareholders' funds	12	£ (<u>53,156</u>)	£ (<u>50,706</u>)

The financial statements were approved by the board on 23 October 2008 and signed on its behalf by



T P.C. Oliver
 Director

The notes on pages 9 to 13 form part of these financial statements

CASH FLOW STATEMENT
for the year ended 31 December 2007

	Notes	2007 £	2006 £
Net cash inflow from operating activities	13	3,218	60,599
Returns on investment and finance			
Interest received		2,634	2,434
Taxation			
Tax paid		—	—
Increase in cash	14	£ 5,852	£ 63,033

The notes on pages 9 to 13 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
31 December 2007

1 BASIS OF PREPARATION

Although the company was insolvent as at 31 December 2007, the directors have received undertakings, from the ultimate parent and controlling company, of continued financial support. For this reason the directors consider it to be appropriate to prepare the financial statements on the going concern basis.

2 ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Foreign currencies

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Foreign currency assets and liabilities held at the year end are translated at year end exchange rates. The resulting exchange differences are dealt with in the profit and loss account.

Turnover

Turnover represents the amounts (excluding Value Added Tax) derived from the provision of services to clients during the year.

Underwriting debtors and creditors

The company acts as an underwriting agent on behalf of the pool members and is not liable as principal for premiums due to pool members or claims due to cedant. The company has not therefore included in its balance sheet cash, debtors and creditors arising from insurance transactions with the exception of the amounts owed to pool members shown in note 9.

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Timing differences are differences between taxable profits and the results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessment in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised, only when it can be regarded as more likely than not there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured on a non discounted basis at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted by the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2007

2 ACCOUNTING POLICIES (continued)

Financial Instruments

Financial instruments are classified and accounted for, according to the substance of the contractual agreement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distribution relating to equity instruments are debited direct to equity.

3 TURNOVER

Turnover and profit before taxation are attributable to the principal activity of the company and are earned in the United Kingdom.

	2007 £	2006 £
4 INTEREST RECEIVABLE		
Bank interest	£ <u>2,634</u>	£ <u>2,434</u>

5 OPERATING LOSS

This is stated after charging/(crediting)

Auditor's remuneration for		
audit services	2,400	2,300
non audit services	450	425
Loss on exchange	<u>791</u>	<u>8,753</u>

6 STAFF COSTS AND DIRECTORS' REMUNERATION

There were no staff costs and the directors received no remuneration for the year ended 31 December 2007 or 31 December 2006.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2007

	2007 £	2006 £
7 TAXATION ON LOSS ON ORDINARY ACTIVITIES		
(a) Taxation		
Current Tax		
In respect of the year		
UK Corporation Tax based on the results for the year	-	-
at 30% (2006 - 30%)		
Over/under provision in prior years	-	-
Deferred tax		
Decrease in deferred tax provision	—	—
Tax on loss on ordinary activities	£ —	£ —
(b) Factors affecting current tax charge		
The tax assessed for the year is higher than the standard rate of Corporation Tax in the UK of 30% (2006 -30%), applied to the loss on ordinary activities before taxation. The differences are explained below		
Loss on ordinary activities before taxation	£ (2,450)	£ (10,157)
Loss on ordinary activities multiplied by the company's rate of corporation tax in the UK of 30% (2006 - 30%)	(735)	(3,047)
Effects of Group relief	<u>735</u>	<u>3,047</u>
Total current tax (note 7 (a))	£ —	£ —
8 DEBTORS		
Amounts owed by group undertakings	105,449	105,449
Other debtors	<u>27,519</u>	<u>47,802</u>
	£ <u>132,968</u>	£ <u>153,251</u>
9 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR		
Other creditors	28,602	41,148
Amounts owed to pool members	<u>287,067</u>	<u>286,502</u>
	£ <u>315,669</u>	£ <u>327,650</u>

NOTES TO THE FINANCIAL STATEMENTS
31 December 2007

	2007 £	2006 £
10 SHARE CAPITAL		
Authorised, allotted, called up and fully paid 100 ordinary shares of £1 each	£ <u>100</u>	£ <u>100</u>
11 PROFIT AND LOSS ACCOUNT		
Balance brought forward	(50,806)	(40,649)
Retained loss for the year	(<u>2,450</u>)	(<u>10,157</u>)
Balance carried forward	£ (<u>53,256</u>)	£ (<u>50,806</u>)
12 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDER'S FUNDS		
Opening shareholder's funds	(50,706)	(40,549)
Retained loss for the year	(<u>2,450</u>)	(<u>10,157</u>)
Closing shareholder's funds	£ (<u>53,156</u>)	£ (<u>50,706</u>)
13 RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Operating loss	(5,084)	(12,591)
Decrease debtors	20,283	32,046
(Decrease)/increase in creditors	(<u>11,981</u>)	(<u>41,144</u>)
Net cash inflow from operating activities	£ <u>3,218</u>	£ <u>60,599</u>
14 ANALYSIS OF CHANGES IN CASH		
Balance at 1 January	123,693	60,660
Net cash inflow	<u>5,852</u>	<u>63,033</u>
Balance at 31 December	£ <u>129,545</u>	£ <u>123,693</u>

NOTES TO THE FINANCIAL STATEMENTS
31 December 2007

15 RELATED PARTY TRANSACTIONS

Disclosures of transactions with the entities that are part of the group is not required, as more than 90% of the voting rights of the company are controlled within the group. No other material related party transactions were undertaken during the year.

16 ULTIMATE PARENT AND CONTROLLING COMPANY

The ultimate parent and controlling company is Hampden Holdings Limited, a company registered in England and Wales.

The immediate parent company is Hampden Group Management Limited, a company registered in England and Wales.

Copies of Hampden Holdings Limited consolidated financial statements can be obtained from the registered office, the address of which is as follows:

Hampden House
Great Hampden
Great Missenden
Buckinghamshire
HP16 9RD