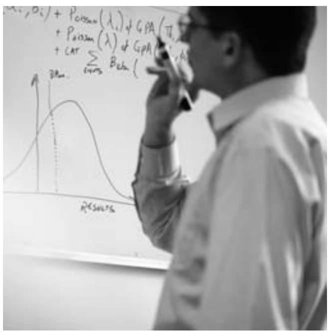
Kiln

Annual report and accounts 2008
For the managed syndicates 510, 557, 807 and 308 of
R J Kiln & Co Limited





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Annual accounting results

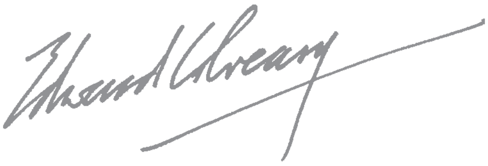
Syndicate		2008 £m	2007 £m
510	Net earned premium	572	564
	Result for the financial year	36	92
557	Net earned premium	32	30
	Result for the financial year	13	17
807	Net earned premium	126	116
	Result for the financial year	4	16
308	Net earned premium	15	6
	Result for the financial year	1	2
Totals	**Net earned premium**	745	716
	Result for the financial year	54	127

Year of account results

Over the seven year cycle from 2000 to 2006 the cumulative results as a percentage of allocated capacity of current managed syndicates are:

Year of account	510 %	557 %	807 %	308 %	All syndicates %
2000	(1.60)	23.94	(2.85)	(7.08)	0.72
2001	4.33	(32.36)	7.55	9.99	1.50
2002	22.01	46.14	19.37	10.79	23.84
2003	24.89	39.18	14.96	6.69	24.65
2004	10.36	9.44	2.24	0.96	8.86
2005	0.26	(13.89)	(1.96)	18.10	(0.77)
2006	25.63	40.39	21.12	9.90	25.76

Report of the chairman



Edward Creasy
Chairman

2008 was a year of extreme challenge for the global economy as a whole, and the insurance industry was inevitably affected by this economic maelstrom. The year started with insurance prices in gradual decline. The events of the third quarter, however, and the subsequent extreme capital impairment that the whole financial services industry suffered, have the potential fundamentally to change the dynamics of the international insurance marketplace. The global credit crunch and the consequent turmoil in world markets have resulted in significant capital destruction throughout financial services markets, including the insurance industry.

An active hurricane season

Nature created its own turbulence too. The 2008 hurricane season has been acknowledged as the fourth most active in terms of named storms (16) and major hurricanes (five) since 1944 when air reconnaissance began. The Atlantic season started early and has the distinction of being the only year to date in which there has been a named hurricane in each month from July to November. Hurricane Ike, which hit the Caribbean and the southern United States hard in September, was the costliest with an estimated industry loss of between US$13 and 21 billion. Elsewhere, a combination of winter storm Emma in central Europe, and weather systems in the United States and China that brought tornadoes, hail, rain, snow, freezing rain, wind and thunderstorms, meant that catastrophes have cost insurers more than US$50 billion in 2008, making it likely to be the second most costly year on record for insurers. In addition, the year saw an unusual number of large losses, particularly in the mining and energy sectors, as operators mobilised all assets available to take advantage of high commodity prices.

Kiln has performed creditably in a tough underwriting environment, thanks at least in part to our revised underwriting guidelines that followed the devastation of the hurricanes in 2005. As a result, I am pleased to report a modest profit for the year. Our premium rating index (PRI) shows that rates were steady for Kiln in 2008 (as Charles Franks sets out in more detail in the report of the chief executive officer on page 5) reflecting Kiln's continuing commitment to underwriting discipline. In addition, our consistently cautious approach to investment management has meant that, notwithstanding the most volatile of environments, investment income has made a substantial contribution to the total 2008 profit.

Business commentary

The positive effect on pricing as a consequence of the heavy catastrophe losses in 2008 and the costs of – and limitations on – raising new capital in the industry as a result of the global economic crisis, give us cause to view 2009 with a degree of optimism. Towards the end of the year we saw a distinct hardening of rates, particularly in reinsurance, offshore energy, property and marine hull. In November, in response to this, we reversed our earlier decision to de-empt the capacity of Syndicate 510 by 6.5% and announced a pre-emption of 7% for the syndicate in 2009. January renewals have confirmed our positive view of the rating environment, although we remain mindful that the dramatic contraction of any economy as a result of deep recession constitutes an increased potential risk for the property and casualty industry. In addition, low global interest rates mean that profits will be more dependent on underwriting performance and the continuing imposition of further price increases throughout 2009.

Tokio Marine Group

I would like to conclude this report with a few words on Kiln's first year as part of the Tokio Marine Group. From the start, Tokio Marine was clear about its rationale for acquiring Kiln. It saw value in the Kiln brand, and viewed the company as a centre of underwriting excellence which would provide a springboard for Tokio Marine's stated strategy of international expansion. It also saw strong parallels in our respective cultures, both of which focus on underwriting profit, commitment to long term relationship building, and the necessity of recruiting and developing insurance professionals of the highest calibre. Tokio Marine's confidence in Kiln has meant that we have been able to maintain our focus on our key area of expertise – underwriting – while benefiting greatly from the economies of scale and the geographic diversity of operations that a large parent company brings. In late 2008 we launched Tokio Marine Kiln Syndicate 1880, supported entirely by Tokio Marine capital. This provides us with a new intra-group Lloyd's platform, which adds an additional dimension to our underwriting activities.

2008 was a year of great turbulence and its effects will be felt for the foreseeable future. The year ahead is likely to bring its share of challenges, such as a deep – and possibly deepening – recession, unstable markets and universal economic uncertainty. Nevertheless, we believe that there is the potential for good opportunities ahead for Kiln which will, more than ever, require a balance of professionalism, opportunism, caution and flexibility; these are the qualities which have formed the foundation of the company's performance over the last decade.

17 March 2009

Report of the chief executive officer

Charles Franks
Chief executive officer

As we review the second half of 2008 and look forward to 2009 we are caught between the market opportunity caused by events during 2008 and the potential for a shortage of business as our client base suffers the effects of recession. As an insurer we sell contingent capital and, in the current economic climate, that capital has a higher value. The combination of the banking crisis, the US government rescue of AIG and Hurricane Ike, the third most expensive hurricane to hit the US, has led to a hardening of insurance rates in some sectors of the market, and we will see during 2009 whether this develops into a general hardening of terms across broader parts of the market.

2006 year of account

The 2006 year of account has closed with a substantial profit for Names across all Kiln syndicates. The combination of strong rates following the catastrophes of 2005 and a benign hurricane season (in spite of the predictions of the weather experts) has resulted in exceptional loss ratios at a gross level. The overall result was affected by the increased cost of our reinsurance programme.

The 2006 year of account results, as a percentage of allocated capacity for an unlimited Lloyd's Name on our syndicates, are compared with the forecast issued in the published 2007 report in the table below:

Syndicate	Forecast range %	Actual %
510	12.0 to 17.0	25.63
557	21.3 to 26.3	40.39
807	10.5 to 15.5	21.12
308	6.2 to 11.2	9.90

A summary of the underwriting year results for each of the current managed syndicates for the last seven years is set out below.

Syndicate 510

Year of account	Allocated capacity £m	Gross premium £m	Result £m	Result as % of allocated capacity %	Result as % of gross premiums %
2000	231.31	199.78	(3.70)	(1.60)	(1.85)
2001	266.09	286.30	11.52	4.33	4.03
2002	388.09	359.57	85.43	22.01	23.76
2003	483.13	662.94	120.25	24.89	18.14
2004	506.79	628.52	52.49	10.36	8.35
2005	545.20	688.35	1.40	0.26	0.20
2006	624.19	735.34	159.98	25.63	21.76
Total	**3,044.80**	**3,560.80**	**427.37**	**14.04**	**12.00**

Syndicate 557

Year of account	Allocated capacity £m	Gross premium £m	Result £m	Result as % of allocated capacity %	Result as % of gross premiums %
2000	31.19	13.15	7.47	23.94	56.79
2001	31.19	21.45	(10.09)	(32.36)	(47.05)
2002	46.83	31.93	21.61	46.14	67.69
2003	54.95	42.19	21.53	39.18	51.03
2004	55.02	38.34	5.19	9.44	13.54
2005	47.67	27.64	(6.62)	(13.89)	(23.95)
2006	54.68	25.98	22.09	40.39	85.01
Total	**321.53**	**200.68**	**61.18**	**19.03**	**30.49**

Syndicate 807

Year of account	Allocated capacity £m	Gross premium £m	Result £m	Result as % of allocated capacity %	Result as % of gross premiums %
2000	45.12	32.81	(1.29)	(2.85)	(3.92)
2001	45.12	36.86	3.41	7.55	9.25
2002	63.21	49.02	12.24	19.37	24.98
2003	86.99	103.97	13.02	14.96	12.52
2004	113.23	122.73	2.54	2.24	2.07
2005	99.95	128.74	(1.96)	(1.96)	(1.52)
2006	109.97	118.28	23.22	21.12	19.63
Total	**563.59**	**592.41**	**51.18**	**9.08**	**8.64**

Syndicate 308

Year of account	Allocated capacity £m	Gross premium £m	Result £m	Result as % of allocated capacity %	Result as % of gross premiums %
2000	3.36	1.89	(0.24)	(7.08)	(12.60)
2001	3.36	2.06	0.34	9.99	16.29
2002	4.00	2.35	0.43	10.79	18.32
2003	4.00	4.78	0.27	6.69	5.59
2004	5.00	5.59	0.05	0.96	0.86
2005	9.65	8.42	1.75	18.10	20.74
2006	13.00	12.07	1.29	9.90	10.69
Total	**42.37**	**37.16**	**3.89**	**9.18**	**10.47**

2007 year of account
While the calendar year of 2007 was not hit by major catastrophe losses, a significant share (23.3% net of reinsurance) of the 2008 year hurricanes is attributable to the 2007 underwriting year because of the number of claims for risks attaching during 2007. In addition, the 2007 year suffered from a series of large property losses during the early part of 2008. These losses were exacerbated by the very high commodity prices at that time. The 2007 year, while remaining at a reasonable level of overall profit, will not have as good a result as we have seen from 2006.

2008 year of account
2008 was a year of enormous change, both for Kiln and for the wider world. Kiln's acquisition by Tokio Marine & Nichido Fire Insurance Co., Ltd. was finalised during March. Much of this year has been spent developing good levels of understanding between our two companies, and Kiln has benefited from the increased stability the acquisition has brought. In addition, as a member of the Tokio Marine Group, we have had access to more capital and have been able to share expertise that has led to enhancements in other areas such as catastrophe risk modelling.

We started 2008 defensively, focusing our underwriting on cycle management as rates fell. We have ended 2008 on a more optimistic note due to a combination of three factors: the crisis in the capital markets has reduced the reserves – and so the financial strength – of our competitors; it has created an environment in which underwriting for profit is essential as investment returns diminish; and it has affected the ability of the insurance industry to re-load with capital after a substantial loss. The collapse and subsequent government support for AIG has dramatically weakened a company which is our largest competitor in nearly all specialist classes. Finally, Hurricanes Ike and Gustav have introduced significant catastrophe loss, which has helped encourage more market resolve in the need to improve levels of pricing. This improvement is initially being felt in reinsurance, property and offshore energy, the three classes hardest hit by the hurricane losses.

The forecast year of account range results as a percentage of allocated capacity for managed syndicates issued as a press release on 9 March 2009 are:

Syndicate	2008 year of account forecast range %	2007 year of account forecast range %
510	1.9 to 11.9	6.8 to 11.8
557	3.9 to 13.9	13.9 to 18.9
807	2.3 to 12.3	7.2 to 12.2
308	2.9 to 12.9	7.5 to 12.5

On a UK GAAP (Generally Accepted Accounting Practice) basis, the comparison between the two financial years is as follows:

Syndicate	**2008 annual accounting result £m**	2007 annual accounting result £m
510	**36**	92
557	**13**	17
807	**4**	16
308	**1**	2
Total	**54**	127

2009 year of account
The opportunities for the 2009 underwriting year improved noticeably during 2008, and we have seen an original plan for a de-emption of 6.5% for Syndicate 510 change to a 7% pre-emption towards the end of the year, as the picture for underwriting conditions became clearer.

The following table shows the premium rating index (PRI) for Kiln, which tracks the pricing of renewed risks over the year. The first column shows that in most classes of business prices fell less than 5% in 2008 while the second column shows that, based on the data for 2009 so far, we have seen prices rising, in some cases with increases of up to 9%.

	2008 YOA as at 31 December 2008 %	2009 YOA as at 28 February 2009 %
Accident & health	100.93	100.56
Aviation	95.74	98.41
Marine & special risks	92.07	102.57
Property & special lines	96.60	104.10
Reinsurance	93.53	108.70
Syndicate 510	95.41	104.36
Syndicate 557	93.94	106.99
Syndicate 807	96.13	102.36
Syndicate 308	99.29	99.58

Rates of exchange
The 2008 calendar year has seen considerable movement in the underlying rates of exchange used to calculate the results of the syndicates. The strengthening of the US dollar against pounds sterling during the year has led to an increase in net profit coupled with a substantial gain reported in the Statement of Total Recognised Gains and Losses (STRGL). The latter arises from the revaluation of net assets denominated in US dollars and Canadian dollars. Although we have benefited from this favourable movement in 2008, it must be recognised that if exchange rates were to return to their previous levels, these gains could be reversed.

Syndicate 1880
During December we announced the launch of Tokio Marine Kiln Syndicate 1880. With an approved capacity of £200 million the syndicate will act initially as a reinsurer of Tokio Marine Group companies, including Kiln. One of the reasons Tokio Marine acquired Kiln was so that we could play a key role in developing their international offices, and writing the reinsurances of these Group companies is an important first step. For the other Kiln managed syndicates to have access to reinsurance with Syndicate 1880 is a great advantage at a time when reinsurance capacity is tight.

A note of caution
I am concerned about the effects of a global recession on our underwriting portfolio, as buying trends and claims patterns may change in ways that are not yet clear. Perhaps more significantly, a prolonged period of recession will undoubtedly affect our client base with its consequent receiverships and takeovers or, at best, reductions in turnover. 2009 and 2010 will be difficult years to manage as we look to develop good opportunities against a challenging economic backdrop.

Finally I would like to thank all of my colleagues for the enormous effort which has gone into 2008, a year of great challenge and change. With this level of commitment I am encouraged that we can approach 2009 with optimism.

17 March 2009

Overview of Syndicate 510

2006 underwriting year of account
Syndicate 510 made an excellent underwriting profit of £159,974,535 (25.63%) on allocated capacity of £624,188,667 after taking account of operating expenses, Lloyd's expenses and investment income for the 2006 underwriting year of account.

The market hardened in nearly all areas of the account, in particular those exposed to North American windstorm activity. This, in conjunction with the benign hurricane season, meant that underwriting profits were excellent.

Prior years' development
The 2006 underwriting year result benefited from an overall improvement of £13,881,572 in the reserves from prior years. This was mainly as a result of better than expected development in the property, aviation and reinsurance divisions.

One year account result
On a UK GAAP basis, the syndicate produced a technical account profit of £36,147,345 against gross premium written of £756,665,808 and net premium earned of £571,637,451 for the 2008 calendar year. The underwriting result was a small profit; the account was significantly affected by North Atlantic hurricane activity, and also by a higher than normal incidence of large property losses during the first half of the year. Better than expected investment returns ensured a reasonable profit notwithstanding these adverse developments.

2009 development
Hurricane Ike is now acknowledged to be the third most expensive hurricane to hit the US. Despite this, and the additional effects of Hurricane Gustav, we still expect the classes of business suffering from these losses to return to profit for 2009. On their own the hurricanes would probably have slowed the softening market but would not have caused a reversal in market conditions. These losses, when combined with the effects of current economic instability, have resulted in price increases in certain classes, particularly US catastrophe reinsurance.

The quantum of the expected rate increase is difficult to predict. Furthermore, the volumes of business and claims activity may both be affected by the recession. For example, if businesses cease trading there will be fewer opportunities coming into the market and an economic downturn will bring increased claims activity.

Overall, although it is difficult to predict, we are positive about 2009, and unpredictability is something to which Kiln's underwriting discipline and nimble approach are well suited.

Property & special lines

2006 underwriting year of account

The property division made an underwriting profit of £69,686,184 (21.31%) on allocated capacity of £327,056,494 after taking account of operating expenses, Lloyd's expenses and investment income for the 2006 underwriting year of account.

This is an excellent performance. 2006 enjoyed an improved rating environment, especially on catastrophe exposed accounts, and saw some new opportunities following the market turning losses in 2004 and 2005. The result also benefited from a benign natural catastrophe year in 2006 itself.

Prior years' development

The underwriting year result benefited from an improvement of £2,180,119 in reserves from prior years. This arose largely on the run-off of the UK motor account.

One year account result

On a UK GAAP basis, the division produced a technical account profit of £9,560,598 against gross premium written of £385,475,696 and a net premium earned of £323,207,258 for the 2008 calendar year. The result suffered from losses caused by Hurricanes Ike and Gustav.

2009 development

We are seeing the first small signs of a hardening market in most areas. Rating for the January renewal season was up on last year by 4% overall, and we feel this trend will strengthen throughout the year. We will continue to focus on developing and sustaining the quality of our core business. We are confident that there is less competition in niche markets and so expect these to serve us well.

Reinsurance

2006 underwriting year of account

The reinsurance division made an underwriting profit of £44,993,861 (42.83%) on allocated capacity of £105,057,865 after taking account of operating expenses, Lloyd's expenses and investment income for the 2006 underwriting year of account.

The year benefited from both a lack of significant catastrophic events around the world and also from a very strong rating environment, with prices increasing (particularly in the US) following the hurricanes of the previous two years. While it is rare to see such a benign year for claims, the overall result does provide evidence of the reinsurance market's ability to bounce back after a loss, and to produce good results over the cycle. Our ability to take advantage of rapidly changing market conditions has delivered an excellent result, with a book that is well positioned for future years.

Prior years' development

The 2006 underwriting year benefited from an overall improvement of £6,789,111 in the reserves from prior years. A large part of this improvement results from a reduction in one large loss, and while there remain some uncertainties over that particular claim we believe that it remains reserved at a prudent level. There were no other significant surprises in the development of the old years.

One year account result

On a UK GAAP basis, the syndicate produced a technical account profit of £17,466,023 against gross premium written of £131,361,151 and net premium earned of £42,115,852 for the 2008 calendar year.

While we did sustain losses from events such as Hurricane Ike, the year still produced an acceptable result. Our Ike loss was well within expectations and our forecast of the ultimate cost remains steady, with modest monthly movements up and down but no signs of significant deterioration. Although rates fell during the year, reductions were modest and in the US prices were coming off historically high levels.

2009 development

The year started strongly with pricing moving ahead in catastrophe classes and almost no deterioration in other areas. The turn in the market is an unusual one in that it is mainly due to the impact of the turmoil in global financial markets rather than the result of a major loss; although Hurricane Ike is providing positive impetus, the loss in isolation would not have caused much of a change to market conditions. With demand for reinsurance on the increase and supply slightly reduced, we expect to see good opportunities for profit this year, with rates continuing to rise.

Marine & special risks

2006 underwriting year of account

The marine & special risks division made an underwriting profit of £26,363,280 (23.05%) on allocated capacity of £114,351,932 after taking account of operating expenses, Lloyd's expenses and investment income for the 2006 underwriting year of account.

This is an excellent result in a year where we were able to take advantage of the opportunistic underwriting conditions that existed immediately following the hurricanes of 2005.

Prior years' development

The underwriting year result benefited from an improvement of £851,024 in the reserves from prior years, due to a lower than anticipated level of claims activity in the closed years and the satisfactory resolution of certain outstanding claims.

One year account result

On a UK GAAP basis, the division produced a technical account loss of £4,851,735 against gross premium written of £136,160,071 and net premium earned of £112,673,126 for the 2008 calendar year. Significant claims from Hurricanes Ike and Gustav account for much of the loss in the technical account.

2009 development

Rates on our renewal business fell by 8% in 2008, with reductions in the first nine months being offset slightly by a stronger performance in the last quarter. We initially saw fierce competition and rate reductions across all classes of business; however the credit crisis and, to a lesser extent, the impact of the 2008 US hurricane season, have changed our markets. We are seeing rate increases together with new business opportunities in many parts of our portfolio. The start of 2009 has seen overall rate rises of 2.5%, which we fully expect to increase as we renew our offshore energy account. A shortfall in underwriting capacity in this area, fuelled by the recent underwriting losses following the hurricanes of 2008, is enabling us to re-price much of our energy book aggressively. The impact of more general underwriting losses, combined with investment losses and the expectation of weak investment returns, corporate distress incurred by some major insurers and liquidity constraints within the wider financial services industry, is leading to a gradual improvement in the underwriting environment across much of the rest of our business.

We will continue to seek future opportunities to enhance the distribution base for all of our products.

Aviation

2006 underwriting year of account

The aviation division made an underwriting profit of £9,697,955 (24.49%) on allocated capacity of £39,593,963 after taking account of operating expenses, Lloyd's expenses and investment income for the 2006 underwriting year of account.

This is another excellent result for the division, particularly given the challenging underwriting conditions experienced by the aviation market in 2006.

Prior years' development

The 2006 underwriting year result benefited from an overall improvement of £2,546,336 in the claims reserves from prior years. This was due to lower than expected general claims development as well as some improvement in the reserves for certain outstanding claims.

One year account result

On a UK GAAP basis, the syndicate produced a technical account profit of £8,764,943 against gross premium written of £48,477,804 and net premium earned of £39,936,177 for the 2008 calendar year.

2009 development

While there have been some signs of improving market conditions in late 2008, this has largely been limited to the airline class. 2009 will undoubtedly be another testing year for aviation underwriters. Overcapacity remains, particularly in the general aviation and aerospace segments; we therefore expect the competitive climate to continue, at least for the short term, in these parts of the portfolio. The global recession will challenge the aviation industry as a whole and it is inevitable that there will be some impact on our client base. For insurers, investments are unlikely to yield the returns seen in recent years, therefore forcing an increased focus on technical underwriting. We will continue with our proven strategy of striving for the best underwriting returns by careful management of our portfolio and prudent risk selection.

Accident & health

2006 underwriting year of account

The accident & health division made an underwriting profit of £9,233,255 (24.22%) on allocated capacity of £38,128,413 after taking account of operating expenses, Lloyd's expenses and investment income for the 2006 underwriting year of account.

This was another excellent performance which was made possible by the positive pricing environment, a disciplined underwriting approach and the absence of major losses in the year.

Prior years' development

The 2006 underwriting year result benefited from an overall improvement of £1,514,982 in the claims reserves from prior years.

One year account result

On a UK GAAP basis, the division produced a technical account profit of £5,207,516 against gross premium written of £55,191,086 and net premium earned of £53,705,038 for the 2008 calendar year. The pricing of the book remained stable, and there was an absence of significant loss development. The travel account results deteriorated from the performance of previous years, although the core accident account again produced strong returns.

2009 development

Our plan for 2009 is to maintain the balance of the account along similar lines as those established for 2008, with growth forecast across the division. The overall pricing environment remains favourable although there is pressure on pricing in certain areas. Our reinsurance programme has been unchanged from 2004 through to 2009, with a modest increase in cost following the addition of treaty excess of loss writings and the provision of nuclear, chemical and biological protection for the benefit of the division.

Syndicate 557

2006 underwriting year of account

The syndicate made an underwriting profit of £22,085,149 (40.39%) on allocated capacity of £54,678,862 after taking account of operating expenses, Lloyd's expenses and investment income for the 2006 underwriting year of account.

The year benefited from both a lack of significant catastrophic events around the world and also from a very strong rating environment, with prices increasing (particularly in the US) following the hurricanes of the previous two years. While it is rare to see such a benign year for claims, the overall result does provide evidence of the reinsurance market's ability to bounce back after a loss, and to produce good results over the cycle. Our ability to take advantage of the rapidly changing market conditions has resulted in an excellent result, with a book that is well positioned for future years.

Prior years' development

The 2006 underwriting year benefited from an overall improvement of £3,770,250 in the reserves from prior years. A large part of this improvement results from a reduction in one large loss, and while there remain some uncertainties over that particular claim, we believe that it remains reserved at a prudent level. There were no other significant surprises in the development of the old years.

One year account result

On a UK GAAP basis, the syndicate produced a technical account profit of £13,385,685 against gross premium written of £38,436,766 and net premium earned of £31,807,591 for the 2008 calendar year.

While we did sustain losses from events such as Hurricane Ike, the year still produced an acceptable result. Our Ike loss was well within expectations and our forecast of the ultimate cost remains steady, with modest monthly movements up and down but no signs of significant deterioration. Although rates fell during the year, reductions were modest and in the US prices were coming off historically high levels.

2009 development

The year started strongly with pricing moving ahead in catastrophe classes and almost no deterioration in other areas. The turn in the market is an unusual one in that it is mainly due to the impact of the turmoil in global financial markets rather than the result of a major loss; although Hurricane Ike is providing positive impetus, the loss in isolation would not have caused much of a change to market conditions. With demand for reinsurance on the increase and supply slightly reduced, we expect to see good opportunities for profit this year, with rates continuing to rise.

Syndicate 807

2006 underwriting year of account

The syndicate made an underwriting profit of £23,222,049 (21.12%) on allocated capacity of £109,968,051 for the 2006 year of account, after taking into account operating expenses, Lloyd's expenses and investment income.

The year benefited from rating improvements, mainly affecting the US reinsurance and property binding authorities, seen following the 2005 hurricanes. The year itself was free of any notable catastrophes and the underlying portfolio performed well with the underwriting result of a 21.12% return on capacity.

Prior years' development

The prior years continued to run off satisfactorily, and we also saw a reduction in the loss reserve on a Hurricane Katrina claim with the underwriting year result benefiting from an overall release of £2,285,733.

One year account result

On a UK GAAP basis, the syndicate produced a technical account profit of £3,617,110 against gross written premiums of £126,184,211 and net premiums earned of £125,815,663 for the calendar year 2008. Rating levels had reduced from their 2006 peak leading to a general deterioration in underlying loss ratios. The year was also adversely affected by Hurricanes Ike and Gustav, with the syndicate forecasting a combined gross loss of US$15.29 million.

2009 development

During 2008 the syndicate lost a large medical account and part of our Japanese portfolio, both areas where we were expecting future growth. Consequently the overall income for 2008 will be almost 20% down on plan and, although we have been successful in replacing some of the medical business and continue to look for other opportunities, 2009 is expected to show fairly modest growth.

The underwriting climate is now beginning to change. After two years of price reductions, the 2008 hurricanes and the problems in the financial markets are starting to have a positive impact on rates. The January renewals saw an increasing requirement for capacity and greater analysis of the security behind it. Although the rate increases were largely confined to reinsurance, with the US accounts seeing the bulk of the improvement, the majority of the portfolio renewed at existing or better terms. Insurance rates are expected to follow reinsurance rates and across all classes we anticipate further increases as the year progresses. The improving market will offer opportunities and we will take advantage where appropriate. The current level of improvement does not, however, support a revision to our business plan.

Stephen Mathers stepped down as active underwriter of the syndicate and Lloyd Tunnicliffe was appointed on 15 October 2008. With the existing underwriting team, the benefit of the continuity they offer and an improving underwriting climate, Syndicate 807 is well placed to continue to develop and expand its account and maintain its enviable reputation and position in the market.

Syndicate 308

2006 underwriting year of account
Syndicate 308 made an underwriting profit of £1,287,475 (9.90%) on allocated capacity of £13,000,449 after taking account of operating expenses, Lloyd's expenses and investment income for the 2006 underwriting year of account.

Prior years' development
The 2006 underwriting year result benefited from an overall improvement of £471,165 in the reserves from prior years.

One year account result
On a UK GAAP basis, the syndicate produced a technical account profit of £966,639 against gross premium written of £14,722,838 and net premium earned of £14,686,416 for the 2008 calendar year.

2009 development
The most significant recent development in the Lloyd's term life market has been the launch of two new syndicates for the 2009 year of account. This is a very positive move, in that there is now potential to develop a true subscription market, and therefore to attract new business into Lloyd's. Although rates are holding up well so far, and renewals have been satisfactory, this increased competition may, however, prove challenging during the year ahead. We plan to maintain our disciplined approach to pricing; we will decline to participate in underpriced risks. Our aim is always to write for profit rather than income or market share, and to maximise stamp utilisation. With this in mind, we have not increased our capacity for 2009.

We believe that there is no reason to alter our focus on our target markets: that is, specialist or niche business from territories where Lloyd's has a life licence. We do expect that new opportunities will be under some pricing pressure, and may not be as attractive as they have been in the past. Nevertheless we have seen a promising January renewal season, with growth in existing accounts. We anticipate that this growth will continue throughout the year, as we work continually within our existing relationships to ensure good service, communication and awareness of our products. We expect to see increases primarily in our UK group business, which is written via facilities, and also within Europe. This business has been developed on the foundations of our existing relationships with brokers and coverholders in those countries.

Our ownership by Tokio Marine Group presents new opportunities for growth. We are currently researching the nature of any intragroup opportunities, with a view to offering our more specialist products to other members of the Tokio Marine Group worldwide.

Directors, active underwriters and administration

Managing agent	
R J Kiln & Co Limited	

Directors	
Edward Creasy (chairman)	
Charles Franks (chief executive officer)	
Shingo Batori	Appointed 02/04/2008
Roger Bickmore	
Ian Brimecome (non-executive)	Appointed 02/04/2008
Nicholas Cosh (deputy chairman, non-executive)	Resigned 31/03/2008
Paul Culham	
James Dover	
Robin Hargreaves	
Paul Hewitt (non-executive)	
Andrew Hitchcox	
David Huckstepp	
Paul Letherbarrow	
Richard Lewis	
Stephen Mathers	Resigned 31/12/2008
Tim Prifti	
Bruce Shepherd	
Elizabeth Walsh	
Paul Wilson (non-executive)	

Syndicate	Active underwriters
Kiln Combined 510	
Accident & health	Tim Prifti
Aviation	Paul Letherbarrow
Marine & special risks	Paul Culham
Property & special lines	Robin Hargreaves
Reinsurance	David Huckstepp
Kiln Catastrophe 557	David Huckstepp
Kiln Mathers 807	Lloyd Tunnicliffe
Kiln Life 308	Cathy Toomey

Company secretary
Keith Grant

Managing agent's registered office
106 Fenchurch Street
London
EC3M 5NR

Managing agent's registered number
9216575

Bankers
Citibank N.A.
Lloyds TSB
Royal Bank of Canada

Investment managers
Threadneedle Asset Management Holdings Ltd
60 St Mary Axe
London
EC3A 8JQ

Registered auditors
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Solicitors
Norton Rose
3 More London Riverside
London
SE1 2AQ

Related parties

Profit commission may be payable by syndicates to R J Kiln & Co Limited in respect of profits earned during the year.

Profit commission is subject to deficit clauses and is payable in instalments based on the interim annual accounting results of the syndicate year of account under UK GAAP. Final settlement is made when the year of account is closed after three years. The amount payable to the managing agency is disclosed in the notes to the syndicate accounts.

Managing agency fees were paid by the syndicates to R J Kiln & Co Limited based on percentage of capacity. In addition, expenses were paid to R J Kiln & Co Limited in reimbursement for expenses paid on behalf of each syndicate. The amounts are disclosed in the notes to the syndicate accounts.

W. R. Berkley Corporation is a related party of R J Kiln & Co Limited by virtue of its wholly-owned subsidiary, Berkley Insurance Corporation, which owned 20% of the issued share capital of Kiln Ltd. On 10 March 2008 Berkley Insurance Corporation sold its holding in Kiln Ltd to Tokio Marine & Nichido Fire Insurance Co., Ltd. For the 2005 to 2007 years of account R J Kiln & Co Limited also managed the underwriting of certain reinsurance business on behalf of W. R. Berkley Insurance (Europe), Limited. This business was underwritten under a consortium arrangement with Syndicate 510 and Syndicate 557. Business falling under this arrangement was shared between the consortium members in pre-agreed ratios. This consortium arrangement ceased on 31 December 2007. Berkley Life Limited has a participation on Syndicate 308 (31% for 2006, 32% for 2007, 2008 and 2009).

On 10 March 2008 Tokio Marine & Nichido Fire Insurance Co., Ltd acquired the remaining share capital of Kiln Ltd, the parent company of R J Kiln & Co Limited. Disclosable transactions between Tokio Marine Group companies and relevant syndicates are detailed within the notes to the syndicate accounts.

No other Group company requires Council consent. Disclosable syndicate transactions are dealt with in the notes to the accounts of the relevant syndicate.

Kiln Group Limited wholly owns the following companies, which participate as members on the managed syndicates as follows:

		Percentages of capacity per year of account			
		2006	2007	2008	2009
Company	Syndicate	%	%	%	%
Kiln Underwriting Limited	510	47	53	53	53
	807	18	16	27	41
	308	20	19	19	19
Kiln Underwriting (807) Limited	807	15	11	11	10
Kiln Underwriting (308) Limited	308	35	31	31	31
Kiln Underwriting (807) No. 2 Limited	807	15	11	–	–

Kiln Underwriting (807) Limited, Kiln Underwriting (308) Limited and Kiln Underwriting (807) No. 2 Limited have quota share reinsurance arrangements such that the beneficial ownership of the underwriting result rests with third parties.

The following table shows allocated premium income of the directors who are members of Lloyd's for years 2006 to 2009.

Figures stated are for participations as bespoke members, as members of a Members' Agent Pooling Arrangement and as individual members underwriting through a Scottish Limited Partnership, but excluding participations as a shareholder in a corporate capital member.

	Total for YOA	510 £'000s	557 £'000s	807 £'000s	308 £'000s	Total £'000s
Stephen Jedburgh	2006	202	28	54	–	284
	2007	202	28	54	–	284
Stephen Mathers	2006	123	13	770	251	1,157
	2007	116	20	770	251	1,157
	2008	93	20	770	251	1,134
Bruce Shepherd	2006	–	–	300	–	300
	2007	–	–	300	–	300
	2008	–	–	250	–	250
	2009	–	–	250	–	250

Bases and assumptions upon which syndicate forecasts have been made

1. Ultimate net claims settlements have been estimated on the basis of paid and known outstanding claims as at 31 December 2008, together with an assessment of future claim settlements derived from projections based on previous claims history.

2. Where liabilities of previous years have been assumed, no profit or loss will arise from their run-off.

3. The exchange rates for US dollars and Canadian dollars at 31 December 2009 and 2010 will be the same as at 31 December 2008.

4. There will be no significant deviation from projected cash flow patterns or in investment income forecasts.

5. The inherent volatility in claims development will not cause the ultimate claim settlements to be materially divergent from those estimated on the basis of underwriting statistics available at 31 December 2008.

6. There will be no new claims from latent causes.

7. All potential reinsurance recoveries will be collected, except where specific provision has already been made.

8. There will be no significant changes in governmental or legislative controls or policies affecting the activities or claims experience of the syndicates.

9. Although a number of policies are still exposed to future losses, there will be no further abnormally large claims or aggregation of claims arising from catastrophe events or other causes.

Annual report and accounts 2008
For the managed syndicates of
R J Kiln & Co Limited
Annual accounting reports under UK GAAP

Report of the directors of the managing agent

The directors of the managing agent present their report and accounts for the year ended 31 December 2008 under UK GAAP. This report covers all syndicates managed by R J Kiln & Co Limited as follows:

Kiln Combined	Syndicate 510	Composite syndicate
Kiln Catastrophe	Syndicate 557	Non-marine syndicate
Kiln Mathers	Syndicate 807	Non-marine syndicate
Kiln Life	Syndicate 308	Life syndicate

The annual report for each of the managed syndicates 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 are available to the syndicate members (on page 77 to 120).

Principal activity and review of the business

The principal activity of the business remains the transaction of general insurance and reinsurance business on a worldwide basis in the Lloyd's market. Syndicate 557 is positioned as a special purpose syndicate. The principal activity of Syndicate 308 remains the transaction of term life business in the Lloyd's market.

The syndicates' key financial performance indicators (KPIs) during the year are as follows:

Syndicate	KPI	2008 £'000s	2007 £'000s	Change %
510	Gross written premium	**756,666**	677,539	11.68
	Profit for the financial year	**36,147**	91,641	(60.56)
	Combined ratio	**103%**	90%	14.44
557	Gross written premium	**38,437**	34,845	10.30
	Profit for the financial year	**13,386**	16,690	(19.80)
	Combined ratio	**76%**	55%	38.18
807	Gross written premium	**126,184**	144,615	(12.74)
	Profit for the financial year	**3,617**	16,296	(77.80)
	Combined ratio	**103%**	90%	14.44
308	Gross written premium	**14,723**	14,127	4.22
	Profit for the financial year	**967**	1,769	(45.36)
	Combined ratio	**96%**	79%	21.52

Note: The combined ratio is the ratio of net claims incurred and net operating expenses to net premiums earned. A lower combined ratio represents a better performance.

Results

The tables below analyse the annual accounting result across the open years of account for the 2008 and 2007 calendar years:

2008 calendar year

	Syndicate annual accounting result				
Year of account	510 £'000s	557 £'000s	807 £'000s	308 £'000s	Total £'000s
2008	(34,206)	5,612	(3,398)	(2,638)	(34,630)
2007	46,591	4,142	1,217	2,740	54,690
2006 and prior	23,762	3,632	5,798	865	34,057
Annual accounting result	36,147	13,386	3,617	967	54,117

2007 calendar year

	Syndicate annual accounting result				
Year of account	510 £'000s	557 £'000s	807 £'000s	308 £'000s	Total £'000s
2007	3,159	9,294	3,676	(1,863)	14,266
2006	46,846	3,648	3,949	2,321	56,764
2005 and prior	41,636	3,748	8,671	1,311	55,366
Annual accounting result	91,641	16,690	16,296	1,769	126,396

Principal risks and uncertainties

Kiln's business model remains consistent: we are specialist underwriters, and we take a prudent approach to risk management. We focus predominantly on shorter tail specialist lines of insurance and reinsurance business where we know that a loss has occurred relatively quickly, and so are able to make more immediate reliable estimates as to the extent of the losses we might expect. We also have detailed knowledge of the risks we underwrite.

It is Kiln's policy to confine its exposure to risk primarily to its core area of expertise: the underwriting of specialist insurance risk. This approach means that we are at the cautious end of the spectrum in all areas of financial risk management, such as investment management and reserving. This allows us to protect our capital on the balance sheet and concentrate our risk appetite on underwriting.

Capital assessment and allocation

Kiln has implemented a capital allocation model consistent with the Financial Services Authority (FSA) Individual Capital Assessment (ICA) requirements. The agency sets risk appetite annually as part of the business planning and ICA process. The output from the model produces an amount of capital consistent with the Lloyd's Economic Capital Assessment (ECA) regime, which is set to achieve a desired credit rating.

The model enables the agency to allocate capital to business lines that will deliver the greatest return to capital providers at various stages of the cycle. It is also used to assess the value of different reinsurance strategies. The calculations are based upon sophisticated mathematical models that reflect the key risks in the business, allowing for the probability of occurrence, the potential impact if they occur and the interactions between the different risk types. The results of the modelling confirm that the majority of the capital is required to support the insurance underwriting risk, and that the amount of capital required for non-insurance risk is modest.

Insurance risk
Insurance risk is the risk of loss arising from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities.

Insurance risk is broken down below into underwriting risk, reinsurance risk and reserving risk.

Underwriting risk
Underwriting risk is the insurance risk arising from new and renewal business in the forthcoming year.

The agency manages insurance risk by agreeing its risk appetite annually through the business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The agency then monitors volume and price performance against the business plan monthly, and all of the components of the insurance result and risk appetite quarterly. The agency uses catastrophe modelling software to model maximum probable losses from catastrophe-exposed business and as part of its Realistic Disaster Scenario (RDS) process.

The agency monitors closely adherence to underwriting standards and quality. This risk is managed by peer review of every single risk written (in the form of daily 'card meetings'), weekly independent review of current underwriting by the director of underwriting and portfolio performance reviews (quarterly reviews by the Divisional Underwriting Review Group) that follow the quarterly reserving meetings.

Reinsurance risk
Reinsurance risk is the risk that reinsurance purchased to protect the gross account does not respond as intended due to *inter alia*: mismatch with gross losses, poorly worded contracts, reinsurer counterparty risk, exhaustion of reinsurance limits.

Reinsurance is used to protect capital against underwriting risk volatility, either as a result of large catastrophes, or from the severity of losses on individual policies.

Reinsurance security is overseen by the Reinsurance Security Committee.

Reserving risk
Reserving risk is the insurance risk in respect of claims reserves already in the balance sheet; i.e. the risk that they are inadequate due to the inherent uncertainty of knowing the ultimate timing and quantum of liabilities incurred.

Claims provisions represent estimates, based on both the underwriters' informed knowledge and judgement and on the internal reserving actuary's statistical projections, of Kiln's expectations of the ultimate settlement and administration costs of claims incurred. Kiln uses a variety of estimation techniques, generally based upon statistical analyses of historical loss development patterns to assist in the establishment of appropriate claim reserves. Reserving for known catastrophes is assisted by use of the catastrophe modelling software. In addition, the estimates are subject to independent review by external actuaries, who sign an annual Statement of Actuarial Opinion on the sufficiency of the reserves for each of the syndicates. The agency's policy is to reserve on a consistent basis with a reasonable margin for prudence, such that there is a potential for run-off surpluses. The agency uses claims run-off tables to monitor the history of reserve adequacy, and these show a trend of predominantly positive run-off since they were first prepared in 2001.

Credit risk
The risk of loss if another party fails to perform its financial obligations, including failure to perform them in a timely manner.

Credit exposure and aggregate exposure to reinsurers is managed by Kiln's Reinsurance Security Committee. It assesses, and is required to approve, all new reinsurers before business is placed with them, and it monitors the credit ratings of all reinsurers used by the agency. The performance of premium debtors, from brokers and coverholders, is monitored quarterly by the credit control committee.

Market risk
The risk that arises from fluctuations in values of, or income from, assets or interest or exchange rates.

Investments from Kiln underwriting activities are held either in premium trust funds or as capital support. The investment policy is set in order to protect the capital, rather than in order to function as a separate profit centre. Funds managed by our investment managers are subject to Kiln agreed guidelines, the on going investment strategy and investment objectives, all of which are agreed by the Investment Group which meets regularly with the fund managers to review performance. The agency maintains a diversified investment portfolio to restrict the concentration of assets (as defined within the credit risk section). The agency does not expose itself to equities, other asset classes or derivatives.

Exchange rate risk
The risk of economic loss arising from the fluctuations in currency exchange rates.

This risk is managed by maintaining premium balances in the appropriate currencies and the matching position of balances against liabilities is reviewed quarterly.

Liquidity risk
The risk of the syndicates being unable to meet their liabilities in a timely manner due to the lack of liquid resources.

To mitigate liquidity risk, the investment and the executive finance committees review cash flow projections quarterly, and also stress test them against RDSs. In the event of a catastrophe loss of a significant size, the syndicates have the ability to take advantage of Outstanding Claims Advances (OCAs) from the major non-marine reinsurers.

Operational risk
The risk of financial loss resulting from impairment of services resulting from inadequate or failed internal processes, people or systems, or from third party events

The agency seeks to manage this risk through the use of detailed procedure manuals and a structured programme of testing of processes and systems by internal audit.

Report of the directors of the managing agent

Regulatory risk

The risk of loss arising from the organisation's dealings with both UK and overseas regulators.

The risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change.

The agency is required to comply with the requirements of the FSA and Lloyd's, including those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. Compliance with regulation and monitoring of regulatory change is part of the regular internal audit programme.

Future business risk

Future earnings from participation in the syndicates can be volatile:

- the insurance business is very cyclical with fluctuations in capacity, competition, and the frequency and severity of losses, as a result of both man-made and natural disasters
- as a result of competition, premium rates can vary sharply in the short term
- there can be no assurance that reinsurance or retrocession arrangements will be available in the future at a price that Kiln finds acceptable
- actual claims may exceed claims provisions
- the flow of new business may be affected by any changes in the syndicates' ratings, either stand-alone from A.M. Best, or the overall Lloyd's credit rating
- distribution channels: the syndicates are heavily dependent on brokers
- the syndicates may be affected by litigation on insurance policy wordings, e.g. exclusion clauses
- loss of business reputation or negative publicity: the syndicates are very dependent on customer goodwill and trust
- effects of global recession could affect the underwriting portfolio both in terms of premium volume and claims inflation.

The syndicates will continue to transact the current classes of general insurance, reinsurance and life business in the current manner, where Kiln can apply its accumulated knowledge and expertise. If opportunities arise to write new classes of business, these will be investigated at the appropriate time.

Claims development

The following table shows the development of ultimate claims (after reinsurance recoveries) for all syndicates combined, over the last six years. The claims development table is prepared on an underwriting year of account basis.

	2003 & prior £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m
Year 1	1,883.8	461.2	654.9	427.9	457.4	546.7
Year 2	1,833.7	470.7	645.4	417.3	492.7	
Year 3	1,796.9	448.7	641.0	404.3		
Year 4	1,776.5	444.9	636.0			
Year 5	1,751.0	439.9				
Year 6	1,755.0					
Less: claims paid	1,684.0	398.9	534.1	283.3	172.7	39.0
Future claims	–	–	–	–	63.1	378.8
Outstanding claims reserve	71.0	41.0	101.9	121.0	256.9	128.9

Underwriters' reports

The underwriters' reports on pages 6 to 14 set out further commentaries on the principal activities and annual accounting results for the managed syndicates and also include commentaries on the year of account result for the 2006 closed year, and a discussion of future developments in 2009.

Directors

The directors of the managing agent who served during the year ended 31 December 2008 are reported under the section 'directors, active underwriters and administration' on page 15. Their participations in the premium income of the syndicates are set out in the 'related parties' note on page 16.

Disclosure of information to the auditors

As 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 syndicates' auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Appointment of auditors

During the year Ernst & Young LLP resigned from being the syndicates' auditors. The board has approved the appointment of PricewaterhouseCoopers LLP as auditors for the current year and on an ongoing basis. PricewaterhouseCoopers LLP also act as auditor to the managing agent, RJ Kiln & Co Limited and other Kiln Group Limited subsidiaries.

Syndicate Annual General Meeting

In accordance with the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the managing agent does not propose holding a syndicate annual meeting this year; objections to this proposal or the intention to reappoint the auditors for a further 12 months can be made by syndicate members before 21 April 2009.

By order of the board

Keith Grant
Company secretary
R J Kiln & Co Limited
17 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 law 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom 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 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 and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the annual accounts.
- 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 its website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors of the managing agent confirm that they have complied with the above requirements in preparing the financial statements.

Independent auditors' report to the members of Syndicates 510, 557, 807 and 308

We have audited the syndicate annual accounts of each of Syndicates 510, 557, 807 and 308 for the year ended 31 December 2008 which comprise the profit and loss accounts, the balance sheets, the cash flow statements, the statements of total recognised gains and losses and the related notes. These accounts have been prepared under the accounting policies set out therein.

Respective responsibilities of managing agent and auditors

The managing agent's responsibilities for preparing the syndicate annual accounts in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004 and United Kingdom 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 syndicate annual accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for, and only for, the syndicates' members as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

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 whether, in our opinion, the information given in 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 the syndicates, 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 the active underwriters and other transactions is not disclosed.

We read the other information attached to the syndicate annual accounts and consider whether it is consistent with the audited syndicate annual accounts. This other information comprises the report of the directors of the managing agent, the report of the chairman, the report of the chief executive officer, the underwriters' reports, the syndicate forecast assumptions, the related parties information and the results summary. We 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 judgements made by the directors of the managing agent in the preparation of the syndicate annual accounts, and of whether the accounting policies are appropriate to the syndicates' 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 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 United Kingdom Generally Accepted Accounting Practice, of the state of the syndicates' affairs as at 31 December 2008 and of their profits and cash flows 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.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
17 March 2009

Notes and principal accounting policies applying to all syndicates

at 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 in December 2005 (as amended in December 2006) by the Association of British Insurers. The general and life business results are determined on the annual basis of accounting.

2. Funds at Lloyd's

Every member is required to hold capital at Lloyd's 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 annual accounts 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.

Financial Reporting Standard 27 (FRS27) requires quantitative and narrative disclosures of the regulatory capital position for life insurance businesses. The setting of capital requirements which determines FAL is undertaken by Lloyd's. Therefore, in the opinion of the directors, FRS27 is not applicable to Syndicate 308.

3. The 2008 Hurricanes: Ike and Gustav

The losses fall principally on the property, marine and reinsurance portfolios of Syndicate 510, Syndicate 557 and Syndicate 807. The expected losses for these syndicates, in US dollars (and the pounds sterling equivalent calculated at a rate of 1.85) are as follows:

	As at 31 December 2008 Gross $m	As at 31 December 2008 Net $m	As at 31 December 2008 Gross £m	As at 31 December 2008 Net £m
Syndicate 510	174	105	94	57
Syndicate 557	14	12	7	6
Syndicate 807	15	15	8	8
Total	**203**	**132**	**109**	**71**

4. Accounting policies

a) Premiums written – general and life business

Premiums written comprise premiums on contracts incepted during the financial year as well as adjustments made in the year to premiums on contracts incepting 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.

Single premium life contracts consist of those contracts under which there is no expectation of continuing premiums being paid at regular intervals. Additional single premiums paid in respect of existing individuals' contracts are also included within single premiums.

Periodic premium life contracts include those contracts under which premiums are payable at regular intervals during the policy year, including repeated or recurrent single premiums where the level of premiums is defined.

b) Earned premiums – general and life business

Earned premium represents the amount of written premium deemed to have been exposed to loss according to defined earnings patterns. The provision for unearned premium comprises the proportion of gross premiums written which is estimated to be earned after the balance sheet date.

Reinstatement premiums arise when a loss has been incurred on a policy and there is a clause which allows the reinstatement of the policy with the payment of a further premium by the policyholder. They are recognised as written and earned in full at the date of the event giving rise to the reinstatement premium.

c) Reinsurance premium ceded – general and life business

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

d) Claims provisions and related recoveries – general and life business

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.

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including outstanding claims estimated on a case by case basis and also the cost of claims Incurred But Not Reported (IBNR). The estimated cost of claims includes expenses to be incurred in settling claims. All reasonable steps are taken to ensure that the appropriate information regarding claims exposures is obtained. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. All claims provisions are reported on an undiscounted basis.

The estimation of claims IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the syndicate, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insurer until many years after the event giving rise to the claims has happened. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims a variety of estimation techniques are used, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in syndicate processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous periods
- changes in the legal environment
- the effects of inflation
- changes in the mix of business
- the impact of large losses
- movements in industry benchmarks.

Notes and principal accounting policies applying to all syndicates

at 31 December 2008

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these, regard is given to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

Large claims affecting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

Where possible multiple techniques to estimate the required level of provisions are adopted. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

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.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

Property, risk solutions, reinsurance, and accident & health

These business areas are predominantly short tail, in that there is not a significant delay between the occurrence of the claim and the claim being reported. The costs of claims notified to the syndicate at the balance sheet date are estimated on a case by case basis to reflect the individual circumstances of each claim. The ultimate expected cost of claims is projected from this data by reference to statistics which show how estimates of claims incurred in previous periods have developed over time to reflect changes in the underlying estimates of the cost of notified claims and late notifications.

Marine and aviation

These business areas have a mix of hull and cargo risks that are short tail in nature, and liability risks which are longer tail. The methodology uses a predetermined formula whereby greater weight is given to actual claims experience as time passes. The initial estimate of the loss ratio based on the experience of previous years adjusted for factors such as premium rate changes and claims inflation, and on the anticipated market experience, is an important assumption in this estimation technique. The assessment of claims inflation and anticipated market experience is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. This class of business is also potentially subject to the emergence of new types of latent claims but no specific allowance is included for this as at the balance sheet date.

Life business

The long term business provision is determined annually by an actuarial valuation and is calculated, initially, to comply with the reporting requirements of the FSA's *Prudential Sourcebook for Insurers*. This statutory solvency basis is then adjusted in respect of general contingency reserves and other reserves required for statutory solvency purposes. This adjusted basis is referred to as the modified statutory solvency basis. Further details of the assumptions used are given in note 3 of the annual accounts of Syndicate 308.

e) Provision for unexpired risks

Provision is made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risks provision. The expected claims are calculated having regard only to events that have occurred prior to the balance sheet date. The need for an unexpired risk provision is assessed on a 'managed together' basis.

Unexpired risk surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises.

f) Acquisition costs

For both general and life business, 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.

g) Foreign currencies

The functional currencies are pounds sterling, US dollars and Canadian dollars. Business written in US dollars and Canadian dollars is accounted for using the net investment method under Statement of Standard Accounting Practice 20 (SSAP20). Exchange differences arising from the retranslation of opening foreign currency denominated net assets are taken to the Statement of Total Recognised Gains and Losses (STRGL). The gain or loss arising from the revaluation of the results from foreign operations at average rates to closing rates, in the balance sheet, is recognised in the STRGL. Exchange gains or losses arising from the transfer of assets and liabilities between these currencies are recognised in the technical account.

For business written in other currencies, monetary assets and liabilities are translated into sterling at the exchange rates prevailing at the balance sheet date. Income and expenses transactions are translated using the rates prevailing at the date of transaction or appropriate average rates. Gains or losses arising on translation are included in the technical account. Exchange rates used are as follows:

	Average rate – all syndicates		Year end rate – all syndicates	
	2008	2007	**2008**	2007
US dollar	**1.85**	2.00	**1.44**	1.99
Canadian dollar	**1.96**	2.15	**1.77**	1.96

The impact of the gain or loss arising from the revaluation of the results from foreign operations at average rates to closing rates, in the balance sheet, is illustrated below using Syndicate 510. The total gains and losses are shown at the chosen average US dollar exchange rate of 1.85, an alternative of 1.70 and the closing rate of 1.44.

	Average US$ exchange rate		Closing US$ rate
	1.85	1.70	1.44
	£'000s	£'000s	£'000s
Profit for the financial year	36,147	41,243	109,426
Currency translation differences	73,279	68,183	–
Total recognised gains	**109,426**	**109,426**	**109,426**

The distributable result on closing a year of account, usually at 36 months, is calculated using the exchange rates prevailing at the date of closure. The selection of an average exchange rate, and hence the distribution of gains and losses between the technical account and the STRGL in the intervening period under annual accounting has, therefore, no effect on the amount to be distributed to members at the closure of the year of account.

h) Investments
Investments are stated at current value at the balance sheet date. For this purpose listed investments are stated at bid value and deposits with credit institutions and overseas deposits are stated at cost. The syndicates do not hold unlisted investments.

i) 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 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 on general business 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. Investment return on long term business is recorded directly in the technical account.

j) Investment yield
The calendar year investment yield is calculated as the ratio of ‘aggregate investment return’ to ‘average funds available’, expressed as a percentage. Aggregate investment return is the total amount of appreciation, investment income and accrued interest received during the year, after deducting investment management costs but before deducting taxation. Average funds available is the average value of all investments (including accrued interest), deposits and surplus cash at the beginning of the year and at each month end re-valued at market prices.

k) 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 US 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.

l) Pension costs
R J Kiln & Co Limited operates a defined contribution scheme. Pension contributions relating to syndicate staff are charged to the syndicates and included within net operating expenses.

Kiln Group also operates a defined benefit scheme (closed to future benefit accrued from 1 May 2003). The cost of providing benefits is determined by the scheme actuary with actuarial valuations being carried out at each balance sheet date. As from 1 January 2005, pension scheme deficits are required to be placed on balance sheets under Financial Reporting Standard 17 (FRS17). Accordingly, on that date the managing agency made a charge to syndicates representing the syndicates’ proportion of the Kiln Group pension scheme deficit at the previous year end. The algorithm to determine the relevant proportion of deficit charged to each syndicate is based on the working patterns of the scheme’s active members as at the date of the closure of the scheme.

The charge recognised during the year represents each syndicate’s share of pension scheme funding including funding in respect of any initiatives designed to reduce the overall scheme deficit based on the algorithm defined above.

The managing agency makes adjusting charges and credits to reflect changes in the pension scheme liability such that the outstanding balance due from the syndicates at the reporting date represents their share of the overall scheme balance based on the algorithm. The outstanding liability is reported as other creditors in each syndicate balance sheet with a corresponding matching entry as other debtors. The amount in other debtors represents an amount which is recoverable either from syndicate members in future years when further funding to the scheme is made and treated as an expense in each syndicate’s accounts, or when actuarial gains on the scheme are made and a corresponding credit is received from the managing agency.

Notes and principal accounting policies applying to all syndicates

at 31 December 2008

m) Profit commission

Profit commission is charged by the managing agent at a rate of 12.5% for Syndicate 510 and 17.5% for other syndicates subject to the operation of a two year deficit clause. Syndicate 510's profit commission is calculated after the deduction of a 5% divisional profit share payable to underwriting staff again subject to the operation of a divisional two year deficit clause. From 27 June 2007, profit commission became payable in instalments based on the interim annual accounting results of the year of account under UK GAAP with final settlement not due until the year of account closes, normally at 36 months. Divisional profit share does not become payable until after the appropriate year of account closes, normally at 36 months.

n) Contingent consideration

Kiln Asia Limited was acquired by R J Kiln & Co Limited (the managing agent) on behalf of the members of Syndicate 510 (the syndicate) on 17 November 2006. Kiln Asia acts as an insurance agent writing business on behalf of the syndicate. The consideration paid for the company comprised cash and a portion of contingent consideration.

A 30% holding in Ibex Insurance Services Ltd was acquired by R J Kiln & Co Limited (the managing agent) on behalf of the members of Syndicate 510 (the syndicate) on 24 January 2008. The company acts as an insurance agent writing business on behalf of the syndicate. The consideration paid for the company comprised cash and a portion of contingent consideration.

The contingent consideration is dependent on the company's financial performance over a five year period. A provision is established within other creditors in respect of this.

Kiln Combined Syndicate Composite

Profit and loss account

technical account – general business for the year ended 31 December 2008

	Note	2008 £'000s	2007 £'000s
Earned premiums, net of reinsurance			
Gross premiums written	1	756,666	677,539
Outward reinsurance premiums		(181,018)	(126,731)
Net premiums written		575,648	550,808
Change in the provision for unearned premiums			
Gross amount		(18,263)	19,091
Reinsurers' share		14,252	(6,255)
Change in the net provision for unearned premiums		(4,011)	12,836
Earned premiums, net of reinsurance		571,637	563,644
Allocated investment return transferred from the non-technical account		53,787	32,831
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(365,011)	(339,978)
Reinsurers' share		63,494	93,689
Net claims paid		(301,517)	(246,289)
Change in the provision for claims			
Gross amount		(70,086)	31,087
Reinsurers' share		11,273	(65,940)
Change in the net provision for claims		(58,813)	(34,853)
Claims incurred, net of reinsurance		(360,330)	(281,142)
Net operating expenses	3,4,5	(228,947)	(223,692)
Balance on the technical account for general business		36,147	91,641

All operations are continuing.

Profit and loss account

non-technical account for the year ended 31 December 2008

	Note	2008 £'000s	2007 £'000s
Balance on the general business technical account		36,147	91,641
Investment income	6	45,054	26,278
Investment expenses and charges	6	(307)	(270)
Net unrealised gains on investments		9,040	6,823
Allocated investment return transferred to general business technical account	7	(53,787)	(32,831)
Profit for the financial year		36,147	91,641

Statement of total recognised gains and losses

for the year ended 31 December 2008

	2008 £'000s	2007 £'000s
Profit for the financial year	36,147	91,641
Currency translation differences	73,279	4,064
Total recognised gains since last annual report	109,426	95,705

Balance sheet

assets at 31 December 2008

	Note	2008 £'000s	2007 £'000s
Investments			
Other financial investments	8	682,434	493,815
Deposits with ceding undertakings		899	523
Reinsurers' share of technical provisions			
Provision for unearned premiums		63,477	35,506
Claims outstanding	2	196,073	139,287
		259,550	174,793
Debtors			
Debtors arising out of direct insurance operations	9	245,459	203,990
Debtors arising out of reinsurance operations		156,046	150,685
Other debtors	10	2,893	2,864
		404,398	357,539
Other assets			
Cash at bank and in hand		31,489	21,810
Other	11	55,586	44,515
		87,075	66,325
Prepayments and accrued income			
Deferred acquisition costs		95,887	77,275
Other prepayments and accrued income		3,035	2,310
		98,922	79,585
Total assets		1,533,278	1,172,580

Balance sheet

liabilities at 31 December 2008

	Note	2008 £'000s	2007 £'000s
Capital and reserves			
Members' balances	12	77,084	54,484
Technical provisions			
Provision for unearned premiums		374,555	282,377
Claims outstanding	2	875,315	627,190
		1,249,870	909,567
Deposits received from reinsurers		6,609	7,912
Creditors			
Creditors arising out of direct insurance operations	13	69,029	108,342
Creditors arising out of reinsurance operations		80,170	65,177
Other creditors	14	33,519	25,366
		182,718	198,885
Accruals and deferred income			
Reinsurers share of deferred acquisition costs	15	16,140	–
Other accruals and deferred income		857	1,732
		16,997	1,732
Total liabilities		1,533,278	1,172,580

The annual accounts, which comprise pages 29 to 40 and the notes and principal accounting policies applicable to all syndicates on pages 25 to 28 were approved by the board of R J Kiln & Co Limited on 17 March 2009 and were signed on its behalf by

James Dover
Finance director
R J Kiln & Co Limited
17 March 2009

Statement of cash flows

for the year ended 31 December 2008

	Note	2008 £'000s	2007 £'000s
Net cash inflow from operating activities	16	91,906	108,555
Transfer to members in respect of underwriting participations		(72,734)	(83,739)
Financing			
Distribution loss collected		546	9
Members' agents' fees paid on behalf of members		(2,091)	(2,109)
Net cash flows		17,627	22,716
Cash flows were invested as follows			
Increase/(decrease) in cash holdings	17	6,211	(24,433)
Increase in deposits	17	9,898	26,596
Net portfolio investments	17,18	1,518	20,553
Net investment of cash flows	17	17,627	22,716

Notes to the accounts

at 31 December 2008

1. Segmental analysis

An analysis of the underwriting result before investment return is set out below:

Year ended 31 December 2008	Gross premium written £'000s	Gross premium earned £'000s	Gross incurred claims £'000s	Gross operating expenses £'000s	Re-insurance balance £'000s	Total £'000s	Net technical provisions £'000s
Direct insurance							
Accident and health	53,927	53,928	(25,784)	(29,341)	(480)	(1,677)	56,264
Fire and other damage to property	322,949	317,101	(210,909)	(128,279)	(10,290)	(32,377)	405,290
Motor – third party liability	9,473	10,562	(7,825)	(3,721)	(167)	(1,151)	28,488
Motor – other	19,264	19,876	(13,779)	(8,229)	(473)	(2,605)	12,456
Marine, aviation and transport	126,475	133,089	(99,096)	(45,526)	(5)	(11,538)	244,337
Other direct	77,148	72,200	(30,605)	(32,610)	(8,575)	410	160,791
	609,236	606,756	(387,998)	(247,706)	(19,990)	(48,938)	907,626
Reinsurance acceptances	147,430	131,647	(47,099)	(20,980)	(32,270)	31,298	82,694
Total	756,666	738,403	(435,097)	(268,686)	(52,260)	(17,640)	990,320

Year ended 31 December 2007	Gross premium written £'000s	Gross premium earned £'000s	Gross incurred claims £'000s	Gross operating expenses £'000s	Re-insurance balance £'000s	Total £'000s	Net technical provisions £'000s
Direct insurance							
Accident and health	50,355	49,754	(24,916)	(16,254)	1,234	9,818	48,544
Fire and other damage to property	282,169	291,008	(149,692)	(102,409)	(27,665)	11,242	315,188
Motor – third party liability	5,969	6,446	(2,505)	(1,669)	(552)	1,720	25,407
Motor – other	16,921	20,447	(12,155)	(6,227)	(543)	1,522	9,377
Marine, aviation and transport	160,693	157,046	(65,345)	(56,066)	(13,763)	21,872	149,566
Other direct	63,632	61,295	(25,074)	(21,626)	(3,608)	10,987	103,552
	579,739	585,996	(279,687)	(204,251)	(44,897)	57,161	651,634
Reinsurance acceptances	97,800	110,634	(29,204)	(40,841)	(38,940)	1,649	83,140
Total	677,539	696,630	(308,891)	(245,092)	(83,837)	58,810	734,774

All premiums were concluded in the UK.

The total commission payable on direct business was £162,973,938 (2007: £157,065,162).

The geographical analysis of premiums by destination is as follows:

	2008 £'000s	2007 £'000s
UK	57,586	40,234
Other EU countries	133,924	49,536
US	452,520	283,070
Other	112,636	304,699
Total	756,666	677,539

2. Claims outstanding

The reassessment of gross claims outstanding held at the end of the previous year has resulted in a release of £10.7m, primarily in the fire and other damage to property and reinsurance acceptances classes of business.

Notes to the accounts

at 31 December 2008

3. Net operating expenses

	2008 £'000s	2007 £'000s
Acquisition costs	179,483	178,441
Change in deferred acquisition costs	1,948	1,347
Members' standard personal expenses	27,798	30,387
Administrative expenses	48,994	37,059
Loss/(profit) on exchange	10,463	(2,142)
Gross operating expenses	268,686	245,092
Reinsurance commissions and profit participations	(39,739)	(21,400)
Net operating expenses	228,947	223,692

Administrative expenses include:

	2008 £'000s	2007 £'000s
Auditors' remuneration		
Audit services	222	234

No non-audit services were provided by the auditors.

4. Staff numbers and costs

All staff are employed by Kiln Insurance Services Limited. The following amounts were recharged to the syndicate in respect of salary costs and are included with administrative expenses:

	2008 £'000s	2007 £'000s
Wages and salaries	12,378	11,219
Social security costs	1,371	1,185
Other pension costs	2,198	948
Total	15,947	13,352

Included in other pension costs are amounts related to the defined benefit pension scheme recharged by the managing agency:

	2008 £'000s	2007 £'000s
Initial charge of defined benefit scheme deficit to syndicate on 1 January	1,690	2,289
Net (credit)/debit from managing agency during year	(233)	348
Balance to be paid/(charged) to future accounting periods	741	(1,690)
Amount funded in year	2,198	947

The amounts funded were allocated to all open years of account.

The average number of full-time employees employed by Kiln Insurance Services Limited but working for the syndicate during the year was as follows:

	2008	2007
Administration and finance	80	75
Underwriting	53	47
Claims	9	9
Total	142	131

Where staff work for more than one syndicate the time is allocated based on the proportion of time spent. The relevant percentage of full-time employees is included in the table above.

5. Emoluments of the directors of R J Kiln & Co Limited

The directors of R J Kiln & Co Limited received the following aggregate remuneration in relation to their work on the syndicate. The Kiln Group operates a bonus pooling arrangement such that profit-related pay is generated from both profit commission and the Group's share of the underwriting result through its corporate member Kiln Underwriting Limited. A considerable portion of the profit-related pay is therefore borne by other Kiln Group entities. The profit commission included within the emoluments is in relation to the 2006 year of account, as the allocation to underwriters is only determined following its closure.

	2008 £'000s	2007 £'000s
Emoluments	3,428	3,405

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

	2008 £'000s	2007 £'000s
Emoluments	2,434	2,434

6. Investment income and expenses

	2008 £'000s	2007 £'000s
Investment income		
Income from investments	27,883	22,096
Net gains on the realisation of investments	17,171	4,182
Total	45,054	26,278
Investment expenses		
Investment management expenses, including interest	(307)	(270)

7. Calendar year investment yield

	2008 £'000s	2007 £'000s
Average amount of syndicate funds during the year	702,496	519,446
Aggregate gross investment return		
Before investment expenses	54,094	33,101
After investment expenses	53,787	32,831
Calendar year investment yield	%	%
Before investment expenses	7.7	6.4
After investment expenses	7.7	6.3
Analysis of calendar year investment yield by fund		
Sterling fund	8.0	4.6
US dollar fund	7.8	7.1
Canadian dollar fund	7.0	4.2

Notes to the accounts

at 31 December 2008

8. Other financial investments

	Market value £'000s	2008 Cost £'000s	Market value £'000s	2007 Cost £'000s
Debt securities and other fixed income securities	659,724	643,329	491,174	369,766
Deposits with credit institutions	22,710	22,710	2,641	2,641
Total	682,434	666,039	493,815	372,407

9. Debtors arising out of direct insurance operations

	2008 £'000s	2007 £'000s
Due from intermediaries	245,459	203,990

10. Other debtors

Included within other debtors are balances recoverable in future years in relation to the defined benefit pension scheme:

	2008 £'000s	2007 £'000s
Balance due in more than one year from the members	–	1,690
Balance due in more than one year from the managing agency	741	–
Total	741	1,690

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 £'000s	2007 £'000s
Members' balances at 1 January	54,484	44,115
Profit for the financial year	36,147	91,641
Payments of profit to members' personal reserve funds	(72,188)	(83,730)
Members' agents' fee advances	(2,091)	(2,109)
Exchange differences arising on members' balances	(12,547)	503
Currency translation differences	73,279	4,064
Members' balances carried forward at 31 December	77,084	54,484

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 arising out of direct insurance operations

	2008 £'000s	2007 £'000s
Due to intermediaries	69,029	108,342

14. Other creditors

Included within other creditors are balances relating to the defined benefit pension scheme and contingent considerations associated with the 2006 Kiln Asia Limited acquisition and the 2008 Ibex Insurance Services Ltd acquisition made by the managing agency on behalf of the members of Kiln Combined Syndicate 510:

	2008 £'000s	2007 £'000s
Balance due in less than one year, contingent considerations	1,025	628
Balance due in more than one year payable to the members	741	–
Balance due in more than one year payable to the managing agency	–	1,690
Total	1,766	2,318

15. Accruals and deferred income

Following a change in accounting treatment from 2007, the reinsurers share of deferred acquisition costs have been included within accruals and deferred income, they were previously shown as part of the creditors arising out of reinsurance operations. The balance is £16,139,826 (2007: £6,270,915).

16. Reconciliation of operating profit to net cash inflow from operating activities

	2008 £'000s	2007 £'000s
Operating profit on ordinary activities	36,147	91,641
Realised and unrealised investment (gains)	(193,421)	(17,901)
(Increase)/decrease in debtors	(66,196)	20,785
Increase in net technical provisions	255,546	22,073
(Decrease) in creditors	(902)	(12,610)
Exchange (gains)/losses arising on members' balances	(12,547)	503
Currency translation differences	73,279	4,064
Net cash inflow from operating activities	91,906	108,555

17. Movement in opening and closing portfolio investments net of financing

	2008 £'000s	2007 £'000s
Net cash inflow/(outflow) for the year	6,211	(24,433)
Cash flow		
Deposits	9,898	26,596
Portfolio investments	1,518	20,553
Movement arising from cash flows	17,627	22,716
Changes in market value and exchange rates	193,421	17,901
Total movement in portfolio investments	211,048	40,617
Portfolio at 1 January	552,751	512,134
Portfolio at 31 December	763,799	552,751

Movement in cash, portfolio investments and financing

	At 1 January 2008 £'000s	Cash flow £'000s	Changes to market value and currencies £'000s	At 31 December 2008 £'000s
Cash at bank and in hand	21,810	6,211	3,468	31,489
Debt securities and other fixed income securities	491,174	(17,543)	186,093	659,724
Deposits with credit institutions	2,641	19,061	1,008	22,710
Total portfolio investments	493,815	1,518	187,101	682,434
Deposits received from reinsurers	(7,912)	4,191	(2,888)	(6,609)
Overseas deposits	44,515	5,530	5,541	55,586
Deposits with ceding undertakings	523	177	199	899
Total cash, portfolio investments and financing	552,751	17,627	193,421	763,799

The syndicate writes business in certain jurisdictions that require the deposit of cash and investments in locally held trust funds therefore preventing the free transfer of cash between currencies and locations. The total held in these funds at 31 December 2008 was £348,256,513 (2007: £280,541,691).

Notes to the accounts
at 31 December 2008

18. Net cash (outflow) on portfolio investments

	2008 £'000s	2007 £'000s
Purchase of debt securities and other fixed income securities	(1,824,294)	(739,157)
Sale of debt securities and other fixed income securities	1,841,837	695,706
Other loans	–	8,993
Deposits with credit institutions	(19,061)	13,905
Net cash (outflow) on portfolio investments	(1,518)	(20,553)

19. Related parties
Syndicate 510 accepted inwards reinsurance business from, and placed outwards reinsurance business with, other Tokio Marine Group companies that are deemed to be related parties of R J Kiln & Co Limited by virtue of the shareholding in Kiln Group Limited by Tokio Marine Holdings, Inc.. All transactions with these entities were conducted at arms length and at normal commercial terms. Written premiums ceded by Syndicate 510 to related parties for the 2008 calendar year were £26,645,862 (2007: £16,091,986). Paid recoveries from related parties during 2008 were £4,369,704 (2007: £7,216,405). Unpaid recoveries at the year end amounted to £2,083,846 (2007: £572,905) and future recoveries on outstanding claims, including an element of IBNR, were £12,728,268 (2007: £5,880,139).

W. R. Berkley Corporation is a related party of R J Kiln & Co Limited by virtue of its wholly-owned subsidiary, Berkley Insurance Corporation, which owned 20% of the issued share capital of Kiln Ltd which was sold to Tokio Marine & Nichido Fire Insurance Co., Ltd on 10 March 2008.

The syndicate receives business from the following service and related companies whose investments are held ultimately by the managing agency: Kiln Asia Limited (100% owned), Kiln South Africa (Proprietary) Limited (100% owned), International Marine Insurance Managers (South Africa) (100% owned), and International Marine Underwriting Agency (100% owned). These businesses each produce less than 1% of the syndicate's gross premium income.

Profit commission of £15,657,268 is payable by the syndicate to R J Kiln & Co Limited in respect of profits for the 2008 calendar year (2007: £6,911,215). Profit commission is payable in instalments based on the interim results of each year of account; final settlement is paid when the year of account is closed after three years.

Managing agency fees of £3,880,732 (2007: £5,501,914) were paid by the syndicate to R J Kiln & Co Limited. In addition to this, expenses of £23,479,049 (2007: £22,917,531) were paid to R J Kiln & Co Limited for expenses paid on behalf of the syndicate.

The note on related parties on page 16 provides further information regarding all syndicates and related parties.

Kiln Catastrophe Syndicate Non-marine

Profit and loss account

technical account – general business for the year ended 31 December 2008

	Note	2008 £'000s	2007 £'000s
Earned premiums, net of reinsurance			
Gross premiums written	1	38,437	34,845
Outward reinsurance premiums		(3,591)	(2,580)
Net premiums written		34,846	32,265
Change in the provision for unearned premiums			
Gross amount		(2,781)	(1,963)
Reinsurers' share		(257)	114
Change in the net provision for unearned premiums		(3,038)	(1,849)
Earned premiums, net of reinsurance		31,808	30,416
Allocated investment return transferred from the non-technical account		5,627	2,947
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(5,270)	(12,500)
Reinsurers' share		1,888	4,474
Net claims paid		(3,382)	(8,026)
Change in the provision for claims			
Gross amount		(3,142)	9,269
Reinsurers' share		(1,838)	(3,874)
Change in the net provision for claims		(4,980)	5,395
Claims incurred, net of reinsurance		(8,362)	(2,631)
Net operating expenses	3,4,5	(15,687)	(14,042)
Balance on the technical account for general business		13,386	16,690

All operations are continuing.

Profit and loss account

non-technical account for the year ended 31 December 2008

	Note	2008 £'000s	2007 £'000s
Balance on the general business technical account		13,386	16,690
Investment income	6	4,498	2,295
Investment expenses and charges	6	(28)	(24)
Net unrealised gains on investments		1,157	676
Allocated investment return transferred to general business technical account	7	(5,627)	(2,947)
Profit for the financial year		13,386	16,690

Statement of total recognised gains and losses

for the year ended 31 December 2008

	2008 £'000s	2007 £'000s
Profit for the financial year	13,386	16,690
Currency translation differences	12,662	315
Total recognised gains since last annual report	26,048	17,005

Balance sheet

assets at 31 December 2008

	Note	2008 £'000s	2007 £'000s
Investments			
Other financial investments	8	83,287	39,723
Deposits with ceding undertakings		(97)	4
Reinsurers' share of technical provisions			
Provision for unearned premiums		726	768
Claims outstanding	2	642	2,197
		1,368	2,965
Debtors			
Debtors arising out of direct insurance operations	9	316	700
Debtors arising out of reinsurance operations		2,584	7,207
Other debtors	10	84	188
		2,984	8,095
Other assets			
Cash at bank and in hand		5,297	9,181
Other	11	579	702
		5,876	9,883
Prepayments and accrued income			
Deferred acquisition costs		2,936	1,575
Other prepayments and accrued income		4	5
		2,940	1,580
Total assets		96,358	62,250

Balance sheet

liabilities at 31 December 2008

	Note	2008 £'000s	2007 £'000s
Capital and reserves			
Members' balances	12	46,250	29,268
Technical provisions			
Provision for unearned premiums		12,605	7,062
Claims outstanding	2	28,318	18,507
		40,923	25,569
Deposits received from reinsurers		636	2,337
Creditors			
Creditors arising out of direct insurance operations	13	48	486
Creditors arising out of reinsurance operations		538	1,001
Other creditors	14	7,650	3,539
		8,236	5,026
Accruals and deferred income		313	50
Total liabilities		96,358	62,250

The annual accounts, which comprise pages 41 to 52 and the notes and principal accounting policies applicable to all syndicates on pages 25 to 28 were approved by the board of R J Kiln & Co Limited on 17 March 2009 and were signed on its behalf by

James Dover
Finance director
R J Kiln & Co Limited
17 March 2009

Statement of cash flows

for the year ended 31 December 2008

	Note	2008 £'000s	2007 £'000s
Net cash inflow from operating activities	15	31,035	13,690
Transfer to members in respect of underwriting participations		(8,157)	(4,878)
Financing			
Distribution loss collected		30	6
Members' agents' fees paid on behalf of members		(930)	(686)
Net cash flows		21,978	8,132
Cash flows were invested as follows			
(Decrease)/increase in cash holdings	16	(4,343)	1,445
Increase in deposits	16	2,251	3,751
Net portfolio investments	16,17	24,070	2,936
Net investment of cash flows	16	21,978	8,132

Notes to the accounts

at 31 December 2008

1. Segmental analysis

An analysis of the underwriting result before investment return is set out below:

Year ended 31 December 2008	Gross premium written £'000s	Gross premium earned £'000s	Gross incurred claims £'000s	Gross operating expenses £'000s	Re-insurance balance £'000s	Total £'000s	Net technical provisions £'000s
Direct insurance							
Accident and health	13	79	(27)	(42)	(4)	6	123
Fire and other damage to property	341	2,551	90	(2,119)	(49)	473	5,973
Other direct	14	19	121	(10)	–	130	371
	368	2,649	184	(2,171)	(53)	609	6,467
Reinsurance acceptances	38,069	33,007	(8,596)	(13,516)	(3,745)	7,150	33,088
Total	38,437	35,656	(8,412)	(15,687)	(3,798)	7,759	39,555

Year ended 31 December 2007	Gross premium written £'000s	Gross premium earned £'000s	Gross incurred claims £'000s	Gross operating expenses £'000s	Re-insurance balance £'000s	Total £'000s	Net technical provisions £'000s
Direct insurance							
Accident and health	199	197	90	(84)	–	203	77
Fire and other damage to property	7,793	7,370	210	(4,188)	(1)	3,391	3,360
Other direct	29	33	15	(27)	–	21	388
	8,021	7,600	315	(4,299)	(1)	3,615	3,825
Reinsurance acceptances	26,824	25,282	(3,546)	(9,743)	(1,865)	10,128	18,779
Total	34,845	32,882	(3,231)	(14,042)	(1,866)	13,743	22,604

All premiums were concluded in the UK.

The total commission payable on direct business was £2,948,049 (2007: £2,690,752).

The geographical analysis of premiums by destination is as follows:

	2008 £'000s	2007 £'000s
UK	37,772	3,027
Other EU countries	392	132
US	–	25,286
Other	273	6,400
Total	38,437	34,845

2. Claims outstanding

The reassessment of gross claims outstanding held at the end of the previous year has resulted in a release of £6.3m, primarily on the reinsurance acceptances class of business.

Notes to the accounts
at 31 December 2008

3. Net operating expenses

	2008 £'000s	2007 £'000s
Acquisition costs	7,569	6,795
Change in deferred acquisition costs	(667)	(328)
Members' standard personal expenses	5,100	5,926
Administrative expenses	2,637	1,603
Loss on exchange	1,048	46
Gross and net operating expenses	15,687	14,042

Administrative expenses include:

	2008 £'000s	2007 £'000s
Auditors' remuneration		
Audit services	41	46

No non-audit services were provided by the auditors.

4. Staff numbers and costs
All staff are employed by Kiln Insurance Services Limited. The following amounts were recharged to the syndicate in respect of salary costs and are included within administrative expenses:

	2008 £'000s	2007 £'000s
Wages and salaries	766	452
Social security costs	85	47
Other pension costs	202	86
Total	1,053	585

Included in other pension costs are amounts related to the defined benefit pension scheme recharged by the managing agency:

	2008 £'000s	2007 £'000s
Initial charge of defined benefit scheme deficit to syndicate on 1 January	156	211
Net (credit)/debit from managing agency during year	(22)	32
Balance to be paid/(charged) to future accounting periods	68	(156)
Amount funded in year	202	87

The amounts funded were allocated to all open years of account.

The average number of full time employees employed by Kiln Insurance Services Limited but working for the syndicate during the year was as follows:

	2008	2007
Administration and finance	12	12
Underwriting	4	5
Claims	1	1
Total	17	18

Where staff work for more than one syndicate the time is allocated based on the proportion of time spent. The relevant percentage of full-time employees is included in the table above.

5. Emoluments of the directors of R J Kiln & Co Limited

The directors of R J Kiln & Co Limited received the following aggregate remuneration in relation to their work on the syndicate. The Kiln Group operates a bonus pooling arrangement such that profit-related pay is generated from both profit commission and the Group's share of the underwriting result through its corporate member Kiln Underwriting Limited. A considerable portion of the profit-related pay is therefore borne by other Kiln Group entities. The profit commission included within the emoluments is in relation to the 2006 year of account, as the allocation to underwriters is only determined following its closure.

	2008 £'000s	2007 £'000s
Emoluments	288	196

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

	2008 £'000s	2007 £'000s
Emoluments	96	155

6. Investment income and expenses

	2008 £'000s	2007 £'000s
Investment income		
Income from investments	2,363	1,880
Net gains on the realisation of investments	2,135	415
Total	4,498	2,295
Investment expenses		
Investment management expenses, including interest	(28)	(24)

7. Calendar year investment yield

	2008 £'000s	2007 £'000s
Average amount of syndicate funds held during the year	63,908	44,632
Aggregate gross investment return		
Before investment expenses	5,655	2,971
After investment expenses	5,627	2,947
Calendar year investment yield	%	%
Before investment expenses	8.8	6.7
After investment expenses	8.8	6.6
Analysis of calendar year investment yield by fund		
Sterling fund	9.0	1.6
US dollar fund	9.0	7.3
Canadian dollar fund	3.0	4.9

Notes to the accounts
at 31 December 2008

8. Other financial investments

	Market value £'000s	2008 Cost £'000s	Market value £'000s	2007 Cost £'000s
Debt securities and other fixed income securities	81,746	79,659	38,971	38,292
Deposits with credit institutions	1,541	1,541	752	752
Total	83,287	81,200	39,723	39,044

9. Debtors arising out of direct insurance operations

	2008 £'000s	2007 £'000s
Due from intermediaries	316	700

10. Other debtors
Included within other debtors are balances recoverable from future years in relation to the defined benefit pension scheme:

	2008 £'000s	2007 £'000s
Balance due in more than one year from the members	–	156
Balance due in more than one year from the managing agency	68	–
Total	68	156

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 £'000s	2007 £'000s
Members' balances at 1 January	29,268	18,051
Profit for the financial year	13,386	16,690
Payments of profit to members' personal reserve funds	(8,127)	(4,872)
Members' agents' fee advances	(930)	(686)
Exchange difference arising on members' balances	(9)	(230)
Currency translation differences	12,662	315
Members' balances carried forward at 31 December	46,250	29,268

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 arising out of direct insurance operations

	2008 £'000s	2007 £'000s
Due to intermediaries	48	486

14. Other creditors

Included within other creditors are balances payable in future years in relation to the benefit pension scheme:

	2008 £'000s	2007 £'000s
Balance due in more than one year payable to the members	68	–
Balance due in more than one year payable to the managing agency	–	156
Total	68	156

15. Reconciliation of operating profit to net cash inflow from operating activities

	2008 £'000s	2007 £'000s
Operating profit on ordinary activities	13,386	16,690
Realised and unrealised investment (gains)	(19,179)	(1,029)
Decrease in debtors	3,751	1,519
Increase/(decrease) in net technical provisions	16,951	(3,873)
Increase in creditors	3,473	298
Exchange (gains) arising on members' balances	(9)	(230)
Currency translation differences	12,662	315
Net cash inflow from operating activities	31,035	13,690

16. Movement in opening and closing portfolio investments net of financing

	2008 £'000s	2007 £'000s
Net cash (outflow)/inflow for the year	(4,343)	1,445
Cash flow		
Deposits	2,251	3,751
Portfolio investments	24,070	2,936
Movement arising from cash flows	21,978	8,132
Changes in market value and exchange rates	19,179	1,029
Total movement in portfolio investments	41,157	9,161
Portfolio at 1 January	47,273	38,112
Portfolio at 31 December	88,430	47,273

Movement in cash, portfolio investments and financing

	At 1 January 2008 £'000s	Cash flow £'000s	Changes to market value and currencies £'000s	At 31 December 2008 £'000s
Cash at bank and in hand	9,181	(4,343)	459	5,297
Debt securities and other fixed income securities	38,971	23,567	19,208	81,746
Deposits with credit institutions	752	503	286	1,541
Total portfolio investments	39,723	24,070	19,494	83,287
Deposits received from reinsurers	(2,337)	2,593	(892)	(636)
Overseas deposits	702	(241)	118	579
Deposits with ceding undertakings	4	(101)	–	(97)
Total cash, portfolio investments and financing	47,273	21,978	19,179	88,430

The syndicate writes business in certain jurisdictions that require the deposit of cash and investments in locally held trust funds therefore preventing the free transfer of cash between currencies and locations. The total held in these funds at 31 December 2008 was £15,750,308 (2007: £20,434,415).

Notes to the accounts
at 31 December 2008

17. Net cash (outflow) on portfolio investments

	2008 £'000s	2007 £'000s
Purchase of debt securities and other fixed income securities	(236,194)	(64,286)
Sale of debt securities and other fixed income securities	212,627	59,133
Other loans	–	788
Deposits with credit institutions	(503)	1,429
Net cash (outflow) on portfolio investments	(24,070)	(2,936)

18. Related parties
Syndicate 557 accepted inwards reinsurance business from, and placed outwards reinsurance business with, other Tokio Marine Group companies that are deemed to be related parties of R J Kiln & Co Limited by virtue of the shareholding in Kiln Group Limited by Tokio Marine Holdings, Inc.. All transactions with these entities were conducted at arms length and at normal commercial terms. None of these transactions are material to either party.

Profit commission of £5,379,986 is payable by the syndicate to R J Kiln & Co Limited in respect of profits for the 2008 calendar year (2007: £678,615). Profit commission is payable in instalments based on the interim results of each year of account, final settlement is paid when the year of account is closed after three years.

Managing agency fees of £894,923 (2007: £897,385) were paid by the syndicate to R J Kiln & Co Limited. In addition to this, expenses of £1,524,711 (2007: £986,265) were paid to R J Kiln & Co Limited for expenses paid on behalf of the syndicate.

The note on related parties on page 16 provides further information regarding all syndicates and related parties.

Kiln Mathers Syndicate
Non-marine

Profit and loss account

technical account – general business for the year ended 31 December 2008

	Note	2008 £'000s	2007 £'000s
Earned premiums, net of reinsurance			
Gross premiums written	1	126,184	144,615
Outward reinsurance premiums		(9,772)	(8,819)
Net premiums written		116,412	135,796
Change in the provision for unearned premiums			
Gross amount		9,301	(19,088)
Reinsurers' share		103	(867)
Change in the net provision for unearned premiums		9,404	(19,955)
Earned premiums, net of reinsurance		125,816	115,841
Allocated investment return transferred from the non-technical account		7,151	4,349
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(63,177)	(55,914)
Reinsurers' share		1,072	3,573
Net claims paid		(62,105)	(52,341)
Change in the provision for claims			
Gross amount		(12,291)	9,612
Reinsurers' share		(45)	(4,330)
Change in the net provision for claims		(12,336)	5,282
Claims incurred, net of reinsurance		(74,441)	(47,059)
Net operating expenses	3,4,5	(54,909)	(56,835)
Balance on the technical account for general business		3,617	16,296

All operations are continuing.

Profit and loss account
non-technical account for the year ended 31 December 2008

	Note	2008 £'000s	2007 £'000s
Balance on the general business technical account		3,617	16,296
Investment income	6	6,119	3,503
Investment expenses and charges	6	(53)	(49)
Net unrealised gains on investments		1,085	895
Allocated investment return transferred to general business technical account	7	(7,151)	(4,349)
Profit for the financial year		3,617	16,296

Statement of total recognised gains and losses
for the year ended 31 December 2008

	2008 £'000s	2007 £'000s
Profit for the financial year	3,617	16,296
Currency translation differences	11,007	715
Total recognised gains since last annual report	14,624	17,011

Balance sheet

assets at 31 December 2008

	Note	2008 £'000s	2007 £'000s
Investments			
Other financial investments	8	80,583	59,654
Deposits with ceding undertakings		42	42
Reinsurers' share of technical provisions			
Provision for unearned premiums		1,054	739
Claims outstanding	2	723	551
		1,777	1,290
Debtors			
Debtors arising out of direct insurance operations	9	24,533	24,849
Debtors arising out of reinsurance operations		25,262	18,952
Other debtors	10	372	1,159
		50,167	44,960
Other assets			
Cash at bank and in hand		7,000	10,194
Other	11	17,856	6,905
		24,856	17,819
Prepayments and accrued income			
Deferred acquisition costs		31,389	35,838
Other prepayments and accrued income		11	5
		31,400	35,843
Total assets		188,825	158,888

Balance sheet

liabilities at 31 December 2008

	Note	2008 £'000s	2007 £'000s
Capital and reserves			
Members' balances	12	13,548	11,421
Technical provisions			
Provision for unearned premiums		77,306	76,189
Claims outstanding	2	86,650	59,950
		163,956	136,139
Deposits received from reinsurers		53	131
Creditors			
Creditors arising out of direct insurance operations	13	4,037	3,250
Creditors arising out of reinsurance operations		3,549	2,199
Other creditors	14	3,682	5,743
		11,268	11,192
Accruals and deferred income		–	5
Total liabilities		188,825	158,888

The annual accounts, which comprise pages 53 to 64 and the notes and principal accounting policies applicable to all syndicates on pages 25 to 28 were approved by the board of R J Kiln & Co Limited on 17 March 2009 and were signed on its behalf by

James Dover
Finance director
R J Kiln & Co Limited
17 March 2009

Statement of cash flows
for the year ended 31 December 2008

	Note	2008 £'000s	2007 £'000s
Net cash inflow/(outflow) from operating activities	15	13,135	(9,418)
Transfer to members in respect of underwriting participations		(14,440)	(2,026)
Financing			
Distribution loss collected		2,304	3
Members' agents' fees paid on behalf of members		(361)	(231)
Net cash flows		638	(11,672)
Cash flows were invested as follows			
(Decrease)/increase in cash holdings	16	(4,047)	3,958
Increase/(decrease) in deposits	16	8,998	(156)
Net portfolio investments	16,17	(4,313)	(15,474)
Net investment of cash flows	16	638	(11,672)

Notes to the accounts
at 31 December 2008

1. Segmental analysis
An analysis of the underwriting result before investment return is set out below:

Year ended 31 December 2008	Gross premium written £'000s	Gross premium earned £'000s	Gross incurred claims £'000s	Gross operating expenses £'000s	Re-insurance balance £'000s	Total £'000s	Net technical provisions £'000s
Direct insurance							
Accident and health	19,126	29,576	(14,985)	(14,953)	(97)	(459)	18,806
Fire and other damage to property	63,977	61,574	(41,618)	(23,721)	(2,562)	(6,327)	90,339
Motor combined	2,188	1,665	(1,137)	(593)	(17)	(82)	3,257
Other direct	4,854	4,442	(2,026)	(1,762)	–	654	8,282
	90,145	97,257	(59,766)	(41,029)	(2,676)	(6,214)	120,684
Reinsurance acceptances	36,039	38,228	(15,702)	(13,880)	(5,966)	2,680	41,495
Total	126,184	135,485	(75,468)	(54,909)	(8,642)	(3,534)	162,179

Year ended 31 December 2007	Gross premium written £'000s	Gross premium earned £'000s	Gross incurred claims £'000s	Gross operating expenses £'000s	Re-insurance balance £'000s	Total £'000s	Net technical provisions £'000s
Direct insurance							
Accident and health	35,273	27,778	(11,028)	(12,322)	(142)	4,286	26,735
Fire and other damage to property	53,703	53,647	(25,804)	(22,790)	(4,729)	324	60,833
Motor combined	1,639	1,764	(880)	(573)	(6)	305	2,239
Other direct	3,591	3,186	109	(1,177)	(24)	2,094	5,322
	94,206	86,375	(37,603)	(36,862)	(4,901)	7,009	95,129
Reinsurance acceptances	50,409	39,152	(8,699)	(19,973)	(5,542)	4,938	39,720
Total	144,615	125,527	(46,302)	(56,835)	(10,443)	11,947	134,849

All premiums were concluded in the UK.

The total commission payable on direct business was £45,597,380 (2007: £32,449,090).

The geographical analysis of premiums by destination is as follows:

	2008 £'000s	2007 £'000s
UK	11,789	8,547
Other EU countries	12,056	4,961
US	65,529	50,405
Other	36,810	80,702
Total	126,184	144,615

2. Claims outstanding
The reassessment of gross claims outstanding held at the end of the previous year has resulted in a strengthening of the reserves of £5.1m, split between the accident and health and reinsurance acceptances classes of business.

Notes to the accounts
at 31 December 2008

3. Net operating expenses

	2008 £'000s	2007 £'000s
Acquisition costs	40,852	61,920
Change in deferred acquisition costs	7,773	(17,576)
Members' standard personal expenses	2,747	7,775
Administrative expenses	6,746	4,723
(Profit) on exchange	(3,209)	(7)
Gross and net operating expenses	54,909	56,835

Administrative expenses include:

	2008 £'000s	2007 £'000s
Auditors' remuneration		
Audit services	67	63

No non-audit services were provided by the auditors.

4. Staff numbers and costs
All staff are employed by Kiln Insurance Services Limited. The following amounts were recharged to the syndicate in respect of salary costs and are included within administrative expenses:

	2008 £'000s	2007 £'000s
Wages and salaries	2,442	2,047
Social security costs	281	232
Other pension costs	445	192
Total	3,168	2,471

Included in other pension costs are amounts related to the defined benefit pension scheme recharged by the managing agency:

	2008 £'000s	2007 £'000s
Initial charge of defined benefit scheme deficit to syndicate on 1 January	342	463
Net (credit)/debit from managing agency during year	(47)	71
Balance to be paid/(charged) to future accounting periods	150	(342)
Amount funded in year	445	192

The amounts funded were allocated to all open years of account.

The average number of full-time employees employed by Kiln Insurance Services Limited but working for the syndicate during the year was as follows:

	2008	2007
Administration and finance	16	15
Underwriting	9	8
Claims	2	2
Total	27	25

Where staff work for more than one syndicate the time is allocated based on the proportion of time spent. The relevant percentage of full-time employees is included in the table above.

5. Emoluments of the directors of R J Kiln & Co Limited

The directors of R J Kiln & Co Limited received the following aggregate remuneration in relation to their work on the syndicate. The Kiln Group operates a bonus pooling arrangement such that profit-related pay is generated from both profit commission and the Group's share of the underwriting result through its corporate member Kiln Underwriting Limited. A considerable portion of the profit-related pay is therefore borne by other Kiln Group entities. The profit commission included within the emoluments is in relation to the 2006 year of account, as the allocation to underwriters is only determined following its closure.

	2008 £'000s	2007 £'000s
Emoluments	1,042	1,005

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

	2008 £'000s	2007 £'000s
Emoluments	470	510

6. Investment income and expenses

	2008 £'000s	2007 £'000s
Investment income		
Income from investments	3,882	2,937
Net gains on the realisation of investments	2,237	566
Total	6,119	3,503
Investment expenses		
Investment management expenses, including interest	(53)	(49)

7. Calendar year investment yield

	2008 £'000s	2007 £'000s
Average amount of syndicate funds during the year	89,695	67,019
Aggregate gross investment return		
Before investment expenses	7,204	4,398
After investment expenses	7,151	4,349
Calendar year investment yield	%	%
Before investment expenses	8.0	6.6
After investment expenses	8.0	6.5
Analysis of calendar year investment yield by fund		
Sterling fund	5.5	3.4
US dollar fund	8.4	7.1
Canadian dollar fund	8.8	4.4

Notes to the accounts

at 31 December 2008

8. Other financial investments

	Market value 2008 £'000s	Cost 2008 £'000s	Market value 2007 £'000s	Cost 2007 £'000s
Debt securities and other fixed income securities	75,740	73,714	58,695	50,902
Deposits with credit institutions	4,843	4,843	959	959
Total	80,583	78,557	59,654	51,861

9. Debtors arising out of direct insurance operations

	2008 £'000s	2007 £'000s
Due from intermediaries	24,533	24,849

10. Other debtors

Included within other debtors are balances recoverable in future years in relation to the defined benefit pension scheme:

	2008 £'000s	2007 £'000s
Balance due in more than one year from the members	–	342
Balance due in more than one year from the managing agency	150	–
Total	150	342

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 £'000s	2007 £'000s
Members' balances at 1 January	11,421	(3,336)
Profit for the financial year	3,617	16,296
Payments of profit to members' personal reserve funds	(12,136)	(2,023)
Members' agents' fee advances	(361)	(231)
Currency translation differences	11,007	715
Members' balances carried forward at 31 December	13,548	11,421

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 arising out of direct insurance operations

	2008 £'000s	2007 £'000s
Due to intermediaries	4,037	3,250

14. Other creditors

Included within other creditors are balances payable in future years in relation to the defined benefit pension scheme:

	2008 £'000s	2007 £'000s
Balance due in more than one year payable to the members	150	–
Balance due in more than one year payable to the managing agency	–	342
Total	150	342

15. Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	2008 £'000s	2007 £'000s
Operating profit on ordinary activities	3,617	16,296
Realised and unrealised investment (gains)	(28,126)	(23,621)
(Increase) in debtors	(764)	(9,637)
Increase in net technical provisions	27,330	14,210
Increase/(decrease) in creditors	71	(7,381)
Currency translation differences	11,007	715
Net cash inflow/(outflow) from operating activities	13,135	(9,418)

16. Movement in opening and closing portfolio investments net of financing

	2008 £'000s	2007 £'000s
Net cash (outflow)/inflow for the year	(4,047)	3,958
Cash flow		
Deposits	8,998	(156)
Portfolio investments	(4,313)	(15,474)
Movement arising from cash flows	638	(11,672)
Changes in market value and exchange rates	28,126	23,621
Total movement in portfolio investments	28,764	11,949
Portfolio at 1 January	76,664	64,715
Portfolio at 31 December	105,428	76,664

Movement in cash, portfolio investments and financing

	At 1 January 2008 £'000s	Cash flow £'000s	Changes to market value and currencies £'000s	At 31 December 2008 £'000s
Cash at bank and in hand	10,194	(4,047)	853	7,000
Debt securities and other fixed income securities	58,695	(7,831)	24,876	75,740
Deposits with credit institutions	959	3,518	366	4,843
Total portfolio investments	59,654	(4,313)	25,242	80,583
Deposits received from reinsurers	(131)	127	(49)	(53)
Overseas deposits	6,905	8,871	2,080	17,856
Deposit with ceding undertakings	42	–	–	42
Total cash, portfolio investments and financing	76,664	638	28,126	105,428

The syndicate writes business in certain jurisdictions that require the deposit of cash and investments in locally held trust funds therefore preventing the free transfer of cash between currencies and locations. The total held in these funds at 31 December 2008 was £43,005,372 (2007: £35,672,206).

Notes to the accounts
at 31 December 2008

17. Net cash inflow on portfolio investments

	2008 £'000s	2007 £'000s
Purchase of debt securities and other fixed income securities	(229,569)	(82,986)
Sale of debt securities and other fixed income securities	237,400	93,695
Other loans	–	1,613
Deposits with credit institutions	(3,518)	3,152
Net cash inflow on portfolio investments	4,313	15,474

18. Related parties
Syndicate 807 accepted inwards reinsurance business from, and placed outwards reinsurance business with, other Tokio Marine Group companies that are deemed to be related parties of R J Kiln & Co Limited by virtue of the shareholding in Kiln Group Limited by Tokio Marine Holdings, Inc.. All transactions with these entities were conducted at arms length and at normal commercial terms. None of these transactions are material to either party.

Profit commission of £3,186,317 is payable by the syndicate to R J Kiln & Co Limited in respect of profits for the 2008 calendar year (2007: £1,309,180). Profit commission is payable in instalments based on the interim results of each year of account, final settlement is paid when the year of account is closed after three years.

Managing agency fees of £833,062 (2007: £835,979) were paid by the syndicate to R J Kiln & Co Limited. In addition to this, expenses of £4,700,552 (2007: £4,373,230) were paid to R J Kiln & Co Limited for expenses paid on behalf of the syndicate.

The note on related parties on page 16 provides more detailed and comprehensive information regarding all syndicates and related parties.

Kiln Life Syndicate

Profit and loss account

technical account – long term business for the year ended 31 December 2008

	Note	2008 £'000s	2007 £'000s
Earned premiums, net of reinsurance			
Gross premiums written	1	14,723	14,127
Outward reinsurance premiums		(1,641)	(2,587)
Change in the provision for unearned premiums, net of reinsurance		1,604	(5,043)
Earned premiums, net of reinsurance		14,686	6,497
Investment income			
Income from other investments		423	399
Gains on the realisation of investments		–	11
Investment income	7,8	423	410
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(3,795)	(2,982)
Reinsurers' share		523	230
Net claims paid		(3,272)	(2,752)
Change in the long term business provision, net of reinsurance			
Gross amount		(3,103)	2,097
Reinsurers' share		216	(313)
Change in the net long term business provision	3	(2,887)	1,784
Claims incurred, net of reinsurance		(6,159)	(968)
Net operating expenses	4,5,6	(7,980)	(4,165)
Investment expenses and charges	7,8	(3)	(5)
Balance on the technical account for long term business and profit for the year		967	1,769

There are no non-technical items.

All operations are continuing.

Statement of total recognised gains and losses
for the year ended 31 December 2008

	2008 £'000s	2007 £'000s
Profit for the financial year	967	1,769
Currency translation differences	341	(2)
Total recognised gains since last annual report	1,308	1,767

Balance sheet
assets at 31 December 2008

	Note	2008 £'000s	2007 £'000s
Deposits with ceding undertakings		89	87
Reinsurers' share of technical provisions			
Provision for unearned premiums		402	1,188
Long term business provision	3	557	329
		959	1,517
Debtors			
Debtors arising out of direct insurance operations	9	4,424	5,402
Debtors arising out of reinsurance operations		1,154	784
Other debtors	10	36	72
		5,614	6,258
Other assets			
Cash at bank and in hand		9,484	8,537
Other	11	140	2
		9,624	8,539
Prepayments and accrued income			
Deferred acquisition costs		1,719	2,779
Other prepayments and accrued income		9	8
		1,728	2,787
Total assets		18,014	19,188

Balance sheet

liabilities at 31 December 2008

	Note	2008 £'000s	2007 £'000s
Capital and reserves			
Members' balances	12	(543)	(102)
Technical provisions			
Provision for unearned premiums		5,877	7,727
Long term business provision	3	8,483	5,105
		14,360	12,832
Deposits received from reinsurers		1,007	1,007
Creditors			
Creditors arising out of direct insurance operations	13	2,242	2,728
Creditors arising out of reinsurance operations		(121)	2,046
Other creditors	14	669	677
		2,790	5,451
Accruals and deferred income			
Reinsurers share of deferred acquisition costs	15	400	–
Total liabilities		18,014	19,188

The annual accounts, which comprise pages 65 to 76 and the notes and principal accounting policies applicable to all syndicates on pages 25 to 28 were approved by the board of R J Kiln & Co Limited on 17 March 2009 and were signed on its behalf by

James Dover
Finance director
R J Kiln & Co Limited
17 March 2009

Statement of cash flows

for the year ended 31 December 2008

	Note	2008 £'000s	2007 £'000s
Net cash inflow from operating activities	16	**2,096**	2,872
Transfer to members in respect of underwriting participations		**(1,717)**	(44)
Financing			
Members' agents' fees paid on behalf of members		**(32)**	(20)
Net cash flows		**347**	2,808
Cash flows were invested as follows			
Increase in cash holdings	17	**240**	4,412
Increase/(decrease) in deposits	17	**107**	(918)
Net portfolio investments	17,18	**–**	(686)
Net investment of cash flows	17	**347**	2,808

Notes to the accounts
at 31 December 2008

1. Segmental analysis
An analysis of the gross written premium and reinsurance balances is set out below:

	2008 Gross premiums written £'000s	2008 Re-insurance balance £'000s	2007 Gross premiums written £'000s	2007 Re-insurance balance £'000s
Direct insurance	11,651	(2,176)	11,818	(649)
Reinsurance acceptances	3,072	(368)	2,309	(170)
Total	14,723	(2,544)	14,127	(819)

The direct gross written premium can be further analysed as follows:

	2008 £'000s	2007 £'000s
Individual premiums	2,097	3,900
Premiums under group contracts	9,554	7,918
Total	11,651	11,818
Periodic premiums	9,321	8,154
Single premiums	2,330	3,664
Total	11,651	11,818

All premiums were concluded in the UK.

The geographical analysis of premiums by destination is as follows:

	2008 £'000s	2007 £'000s
UK	7,903	7,686
Other EU countries	2,384	1,062
US	2,525	528
Other	1,911	4,851
Total	14,723	14,127

2. Significant loss events
There are no significant loss events outside normal claims experience to report for 2008.

3. Long term business provision
The following methodologies have been used in valuing the long term business provision:

- For individual policies, with outstanding terms of one year or less, a reserve of 110% (2007: 110%) of the value of the future benefits as at 31 December has been used. For individual business, binding authority business and creditor business (where individual data is available) with outstanding terms of more than one year, a net premium valuation method has been used
- For group business and other credit life business, an ultimate loss ratio approach has been used. The resulting reserve includes both an Unearned Premium Reserve (UPR) and Incurred But Not Reported (IBNR) reserve. An Unexpired Risk Reserve (URR) is also included where deemed necessary.

Principal assumptions are:

- The net premium is limited to 90% to allow for expenses
- Valuation interest rate of 1% (2007: 3%)
- Mortality has been updated to 110% of the TM/F00 ultimate tables. Where business was priced on a smoker/non-smoker basis the TM/FS00 and TM/FN00 tables were used. Where the smoker status was not known or the binder was not priced on a smoker/non-smoker basis the flat rate of 110% of TM/FC00 base mortality was used.

Notes to the accounts
at 31 December 2008

4. Net operating expenses

	2008 £'000s	2007 £'000s
Acquisition costs	4,760	5,086
Change in deferred acquisition costs	1,322	(2,391)
Members' standard personal expenses	669	633
Administrative expenses	2,123	1,502
(Profit)/loss on exchange	(41)	1
Gross operating expenses	8,833	4,831
Reinsurance commissions and profit participations	(853)	(666)
Net operating expenses	7,980	4,165

Administrative expenses include:

	2008 £'000s	2007 £'000s
Auditors' remuneration		
Audit services	54	52

No non-audit services were provided by the auditors.

5. Staff numbers and costs
All staff are employed by Kiln Insurance Services Limited. The following amounts were recharged to the syndicate in respect of salary costs and are included within administrative expenses:

	2008 £'000s	2007 £'000s
Wages and salaries	1,005	802
Social security costs	109	81
Other pension costs	93	40
Total	1,207	923

Included in other pension costs are amounts related to the defined benefit pension scheme recharged by the managing agency:

	2008 £'000s	2007 £'000s
Initial charge of defined benefit scheme deficit to syndicate on 1 January	72	97
Net (credit)/debit from managing agency during year	(10)	15
Balance to be paid/(charged) to future accounting periods	31	(72)
Amount funded in year	93	40

The amounts funded were allocated to all open years of account.

The average number of employees employed by Kiln Insurance Services Limited but working for the syndicate during the year was as follows:

	2008	2007
Administration and finance	7	5
Underwriting	6	7
Total	13	12

Where staff work for more than one syndicate the time is allocated based on the proportion of time spent. The relevant percentage of full-time employees is included in the table above.

6. Emoluments of the directors of R J Kiln & Co Limited

The directors of R J Kiln & Co Limited received the following aggregate remuneration in relation to their work on the syndicate. The Kiln Group operates a bonus pooling arrangement such that profit-related pay is generated from both profit commission and the Group's share of the underwriting result through its corporate member Kiln Underwriting Limited. A considerable portion of the profit-related pay is therefore borne by other Kiln Group entities. The profit commission included within the emoluments is in relation to the 2006 year of account, as the allocation to underwriters is only determined following its closure.

	2008 £'000s	2007 £'000s
Emoluments	322	51

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

	2008 £'000s	2007 £'000s
Emoluments	265	219

7. Investment income and expenses

There are no non-technical investment return items.

8. Calendar year investment yield

	2008 £'000s	2007 £'000s
Average amount of syndicate funds during the year	9,162	5,963
Aggregate gross investment return		
Before investment expenses	423	410
After investment expenses	420	405
Calendar year investment yield	%	%
Before investment expenses	4.6	6.9
After investment expenses	4.6	6.8
Analysis of calendar year investment yield by fund		
Sterling fund	5.2	7.4
US dollar fund	3.0	4.9

9. Debtors arising out of direct insurance operations

	2008 £'000s	2007 £'000s
Due from intermediaries	4,424	5,402

Notes to the accounts
at 31 December 2008

10. Other debtors
Included within other debtors are balances recoverable in future years in relation to the defined benefit pension scheme:

	2008 £'000s	2007 £'000s
Balance due in more than one year from the members	–	72
Balance due in more than one year from the managing agency	31	–
Total	31	72

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 £'000s	2007 £'000s
Members' balances at 1 January	(102)	(1,805)
Profit for the financial year	967	1,769
Payments of profit to members' personal reserve funds	(1,717)	(44)
Members' agents' fee advances	(32)	(20)
Currency translation differences	341	(2)
Members' balances carried forward at 31 December	(543)	(102)

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 arising out of direct insurance operations

	2008 £'000s	2007 £'000s
Due to intermediaries	2,242	2,728

14. Other creditors
Included within other creditors are balances payable in future years to the defined benefit pension:

	2008 £'000s	2007 £'000s
Balance due in more than one year payable to the members	217	–
Balance due in more than one year payable to the managing agency	–	72
Total	217	72

15. Accruals and deferred income
Following a change in accounting treatment from 2007, the reinsurers share of deferred acquisition costs have been included within accruals and deferred income, they were previously shown as part of the gross deferred acquisition costs balance. The balance is £399,741 (2007: £495,614).

16. Reconciliation of operating profit to net cash inflow from operating activities

	2008 £'000s	2007 £'000s
Operating profit on ordinary activities	967	1,769
Realised and unrealised investment (gain)/loss	(740)	2
Decrease/(increase) in debtors	1,703	(330)
Increase in net technical provisions	2,086	3,254
(Decrease) in creditors	(2,261)	(1,821)
Currency translation differences	341	(2)
Net cash inflow from operating activities	2,096	2,872

17. Movement in opening and closing portfolio investments net of financing

	2008 £'000s	2007 £'000s
Net cash inflow for the year	240	4,412
Cash flow		
Deposits	107	(918)
Portfolio investments	–	(686)
Movement arising from cash flows	347	2,808
Changes in market value and exchange rates	740	(2)
Total movement in portfolio investments	1,087	2,806
Portfolio at 1 January	7,619	4,813
Portfolio at 31 December	8,706	7,619

Movement in cash, portfolio investments and financing

	At 1 January 2008 £'000s	Cash flow £'000s	Changes to market value and currencies £'000s	At 31 December 2008 £'000s
Cash at bank and in hand	8,537	240	707	9,484
Deposits received from reinsurers	(1,007)	–	–	(1,007)
Overseas deposits	2	138	–	140
Deposit with ceding undertakings	87	(31)	33	89
Total cash, portfolio investments and financing	7,619	347	740	8,706

The syndicate writes US business that requires the deposit of cash and investments in locally held trust funds therefore preventing the free transfer of cash between currencies and locations. The total held in these funds at 31 December 2008 was nil.

Notes to the accounts
at 31 December 2008

18. Net cash inflow on portfolio investments

	2008 £'000s	2007 £'000s
Purchase of debt securities and other fixed income securities	–	(619)
Sale of debt securities and other fixed income securities	–	1,131
Other loans	–	174
Net cash inflow on portfolio investments	–	686

19. Related parties
Syndicate 308 did not accept inwards reinsurance business from, or place outwards reinsurance business with, other Tokio Marine Group companies that are deemed to be related parties of R J Kiln & Co Limited by virtue of the shareholding in Kiln Group Limited by Tokio Marine Holdings, Inc..

Profit commission of £439,172 is payable by the syndicate to R J Kiln & Co Limited in respect of profits for the 2008 calendar year (2007: £401,390). Profit commission is payable in instalments based on the interim results of each year of account, final settlement is paid when the year of account is closed after three years.

Managing agency fees of £108,090 (2007: £108,090) were paid by the syndicate to R J Kiln & Co Limited. In addition to this, expenses of £1,991,376 (2007: £1,675,166) were paid to R J Kiln & Co Limited for expenses paid on behalf of the syndicate.

The note on related parties on page 16 provides further information regarding all syndicates and related parties.

Annual report and accounts 2008
For the Managed Syndicates of R J Kiln & Co Limited
Underwriting year accounts
Closed year of account 2006

Report of the directors of the managing agent

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

Kiln Combined	Syndicate 510	Composite syndicate
Kiln Catastrophe	Syndicate 557	Non-marine syndicate
Kiln Mathers	Syndicate 807	Non-marine syndicate
Kiln Life	Syndicate 308	Life syndicate

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 year 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 of account closed for Kiln syndicates with the following results:

510	£000's	% of capacity
Profit after standard personal expenses	159,975	25.63%

The underwriting surplus (excluding investment return and operating expenses, other than acquisition costs) attributable to the reinsurance to close (RITC) the 2005 year of account was £13,881,572.

557	£000's	% of capacity
Profit after standard personal expenses	22,085	40.39%

The underwriting surplus (excluding investment return and operating expenses, other than acquisition costs) attributable to the RITC the 2005 year of account was £3,770,250.

807	£000's	% of capacity
Profit after standard personal expenses	23,222	21.12%

The underwriting surplus (excluding investment return and operating expenses, other than acquisition costs) attributable to the RITC the 2005 year of account was £2,285,733.

308	£000's	% of capacity
Profit after standard personal expenses	1,287	9.90%

The underwriting surplus (excluding investment return and operating expenses, other than acquisition costs) attributable to the RITC the 2005 year of account was £471,165.

The underwriters' reports on pages 6 to 14 and the report of the directors of the managing agent on pages 20 to 22 provide further commentary.

Approved by the board of directors

Richard Lewis
Director of underwriting
R J Kiln & Co Limited
17 March 2009

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 as 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.
- 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 each syndicate and enable it to ensure that each syndicate underwriting year accounts comply with the regulations. It is also responsible for safeguarding the assets of each syndicate and hence for taking reasonable steps for the 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 its website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors of the managing agent confirm that they have complied with the above requirements in preparing the financial statements.

Independent auditors' report to the members of Syndicates 510, 557, 807 and 308 on the 2006 closed underwriting year of account

We have audited the syndicate underwriting year accounts of each of Syndicates 510, 557, 807 and 308 for the 2006 closed underwriting year of account which comprise the profit and loss accounts, the balance sheets, the cash flow statements and the related notes. These accounts have been prepared under the accounting policies set out therein.

Respective responsibilities of the managing agent and auditors

The managing agent's responsibilities for preparing the syndicate underwriting year accounts 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 United Kingdom Generally Accepted Accounting Practice are set out in the statement of managing agent's responsibilities.

Our responsibility is to audit the syndicate underwriting year accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for, and only for, the syndicates' members as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the syndicate underwriting year accounts give a true and fair view of the closed year of account result 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 not consistent with the syndicate underwriting year accounts. In addition, we report to you if, in our opinion, the managing agent has not kept proper accounting records in respect of the syndicates, if the syndicate underwriting year accounts are not in agreement with the accounting records, or if we have not received all the information and explanations we require for our audit.

We read the report of the directors of the managing agent, the report of the chairman, the report of the chief executive officer, the underwriters' reports, syndicate forecast assumptions, the related parties information and the results summary and consider the implications for our report if we become aware of any apparent misstatements within them.

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 underwriting year 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 syndicate underwriting year accounts, and of whether the accounting policies are appropriate to the syndicates' 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 syndicate 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 syndicate underwriting year accounts.

Opinion

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

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
17 March 2009

Notes and principal accounting policies applying to all syndicates

1. Basis of preparation

These underwriting year 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 underwriting year 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 underwriting year accounts cover the three years from the date of inception of the 2006 year of account to the date of closure. Accordingly, this is the only reporting period and so comparative amounts are not shown.

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.

a) 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.

b) 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.

c) 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 arise when a loss has been incurred on a policy and there is a clause which allows the reinstatement of the policy with the payment of a further premium by the policyholder. 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.

d) 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 (IBNR), net of estimated collectible reinsurance recoveries and net of future net premium, relating to the closed year of account and all previous years of account reinsured therein.

The estimate of claims outstanding is assessed on an individual case basis and 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 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 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.

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. A number of statistical methods are used to assist in making these estimates.

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 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 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.

Notes and principal accounting policies applying to all syndicates

2. Accounting policies continued

e) Foreign currencies

Transactions other than reinsurance to close in US dollars and Canadian dollars are translated at the rates prevailing at the transaction date or 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 currency transactions are entered into by a syndicate relating to the settlement of 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 currency transactions relating to the profit or loss of a closed underwriting account are entered into by members on that year (or by Lloyd's on behalf of the members), any exchange profit or loss accrues to those members.

f) Investments

Investments are stated at current value at the balance sheet date. For this purpose listed investments are stated at bid value and deposits with credit institutions and overseas deposits are stated at cost. There are no unlisted investments.

g) 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 period, 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 for general business 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. Investment return for long term business is recorded in the technical account.

h) 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 syndicates are apportioned between the agency company and the syndicates 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.

i) 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 US 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.

j) Pension costs

R J Kiln & Co Limited operates a defined contribution scheme. Pension contributions relating to syndicate staff are charged to the syndicates and included within net operating expenses.

Kiln Group also operates a defined benefit scheme (closed to future benefit accrued from 1 May 2003). The level of funding is agreed between the Group and the scheme actuary. This annual funding contribution is charged as a syndicate expense when incurred.

An algorithm is used to allocate the annual funding charge to Kiln Group companies and the managed syndicates. The algorithm is based on the working patterns of the scheme's active members as at the date of the closure of the scheme. The algorithm is also used to allocate the charges and benefits which are allocated to years of account on an equitable basis and are included within net operating expenses.

k) Profit commission

Profit commission is charged by the managing agent at a rate of 17.5% (Syndicate 510 –12.5%) of profit subject to the operation of a two year deficit clause. Where profit commission is charged, it is included within members' standard personal expenses within administrative expenses. Syndicate 510's profit commission is calculated after the deduction of a 5% divisional profit share payable to underwriting staff again subject to the operation of a divisional two year deficit clause. Profit commission is payable in instalments based on the interim annual accounting results of the year of account under UK GAAP and final settlement is made when the year of account closes, normally at 36 months. Divisional profit share does not become payable until after the appropriate year of account closes, normally at 36 months.

Kiln Combined Syndicate Composite

Profit and loss account

technical account – general business for the 36 months ended 31 December 2008

	Note	2006 £'000s
Syndicate allocated capacity		624,189
Earned premiums, net of reinsurance		
Gross premiums written	1	735,337
Outward reinsurance premiums		(134,585)
Earned premiums, net of reinsurance		600,752
Reinsurance to close premium received, net of reinsurance	2	217,445
Allocated investment return transferred from the non-technical account		35,858
Claims incurred, net of reinsurance		
Claims paid		
Gross amount		(319,867)
Reinsurers' share		59,913
Reinsurance to close premium payable, net of reinsurance	3	(295,301)
Claims incurred, net of reinsurance		(555,255)
Net operating expenses	4,5,6	(138,825)
Balance on the technical account – general business	7	159,975

Profit and loss account

non-technical account for the 36 months ended 31 December 2008

	Note	£'000s
Balance on the general business technical account		159,975
Investment income	8	30,980
Investment expenses and charges	8	(336)
Net unrealised gains on investments		5,214
Allocated investment return transferred to general business technical account		(35,858)
Profit for the 2006 closed year of account		159,975

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

for the 2006 closed year of account at 31 December 2008

Assets	Note	£'000s
Investments	9	298,999
Deposits with ceding undertakings		405
Debtors	10	94,666
Reinsurance recoveries anticipated on gross reinsurance to close premium payable to close the account	3	109,754
Other assets		
Cash at bank and in hand		11,152
Other	11	33,284
Prepayments and accrued income		2,118
Total assets		550,378

Liabilities	Note	£'000s
Amounts due to members	12	39,994
Reinsurance to close premium payable to close the account – gross amount		405,055
Deposits received from reinsurers		6,609
Creditors	13	97,863
Accruals and deferred income		857
Total liabilities		550,378

The underwriting year accounts, which comprise pages 83 to 92 and the notes and principal accounting policies applicable to all syndicates on pages 81 and 82 were approved by the board of R J Kiln & Co Limited on 17 March 2009 and were signed on its behalf by

James Dover
Finance director
R J Kiln & Co Limited
17 March 2009

Cash flow statement

for the 36 months ended 31 December 2008

	Note	£'000s
Net cash inflow from operating activities	14	177,723
Transfers to members in respect of underwriting participations	12	(118,122)
Financing		
Members' agents' fees paid on behalf of members	12	(1,859)
Net cash flows		57,742
Cash flows were invested as follows		
Increase in cash holdings	15	1,836
Cash consideration for net RITC receivable	14	9,316
Increase in deposits	15	6,206
Net portfolio investments	15,16	40,384
Net investment of cash flows		57,742

Notes to the accounts

for the 36 months ended 31 December 2008

1. Segmental analysis

An analysis of the underwriting result before investment return is set out below:

	Gross premiums written (notes i & iv) £'000s	Gross claims incurred (note ii) £'000s	Gross operating expenses £'000s	Re-insurance balance (note iii) £'000s	Total £'000s
Direct insurance					
Accident and health	47,695	(35,383)	(12,131)	268	449
Fire and other damage to property	338,929	(274,689)	(79,602)	16,437	1,075
Motor combined	29,311	(27,081)	(6,282)	56	(3,996)
Marine, aviation and transport	134,468	(93,339)	(27,543)	8,125	21,711
Other direct	64,912	(60,736)	(12,585)	1,613	(6,796)
	615,315	(491,228)	(138,143)	26,499	12,443
Reinsurance acceptances	120,022	(36,118)	(17,509)	31,397	97,792
	735,337	(527,346)	(155,652)	57,896	110,235
RITC received	328,465	(197,576)	–	(117,007)	13,882
Total	1,063,802	(724,922)	(155,652)	(59,111)	124,117

i. Gross premiums earned are identical to gross premiums written.
ii. Gross claims incurred comprise gross claims paid and gross reinsurance to close premium payable.
iii. The reinsurance balance comprises reinsurance recoveries on claims paid, reinsurance recoveries anticipated on reinsurance to close payable, reinsurance commissions receivable less reinsurance premiums ceded and reinsurance recoveries anticipated on reinsurance to close receivable.
iv. All premiums are concluded in the UK.

The geographical analysis of premiums by destination is as follows:

	£'000s
UK	365,028
Other EU countries	70,148
US	329,516
Other	299,110
Total	1,063,802

2. Reinsurance to close premium receivable

	£'000s
Gross reinsurance to close premium receivable	328,465
Reinsurance recoveries anticipated	(111,020)
Reinsurance to close premium receivable, net of reinsurance	217,445

3. Reinsurance to close premium payable

	£'000s
Gross notified outstanding claims	303,930
Reinsurance recoveries anticipated	(76,577)
Net notified outstanding claims	227,353
Provision for gross claims IBNR	101,125
Reinsurance recoveries anticipated on IBNR	(33,177)
Provision for net IBNR	67,948
Reinsurance to close premium payable, net of reinsurance	295,301

The reinsurance to close is effected to the 2007 year of account of Syndicate 510.

4. Operating expenses

	£'000s
Acquisition costs	189,570
Members' standard personal expenses	36,881
Administrative expenses	34,833
(Profit) on exchange	(105,632)
Gross operating expenses	155,652
Reinsurance commissions and profit participations	(16,827)
Net operating expenses	138,825

Within administrative expenses were £270,232 of audit fees charged to the 2006 year of account; no non-audit services were provided by the auditors.

5. Staff numbers and costs

All staff are employed by Kiln Insurance Services Limited. The following amounts were recharged to the 2006 year of account in respect of salary costs:

	£'000s
Wages, salaries and social security costs	10,352
Other pension costs	3,726
Total	14,078

The average number of employees employed by Kiln Insurance Services Limited but working on the 2006 year of account was as follows:

Administration and finance	70
Underwriting	49
Claims	8
Total	127

6. Emoluments of the directors and active underwriters

The active underwriters received cumulative remuneration of £3,280,202 charged to the 2006 year of account. After the closure of the year of account profit-related remuneration based on 5% of the divisional result at closure is calculated and allocated across the divisional underwriting staff or into the Kiln Group corporate bonus pool. Each active underwriter will consequently receive further profit-related pay during 2009, as an allocation from the provision which has already been charged to the 2006 year of account. The Kiln Group operates a bonus pooling arrangement such that profit-related pay is generated from both profit commission and the Group's share of the underwriting result through its corporate member Kiln Underwriting Limited. A considerable portion of the profit-related pay is therefore borne by other Kiln Group entities.

The directors received £4,210,154 of emoluments charged to the 2006 year of account.

7. Analysis of technical result

	£'000s
Balance excluding investment return and operating expenses, other than acquisition costs	
Amount attributable to business allocated to the 2006 year of account	76,317
Surplus on the RITC of the 2005 year of account	13,882
	90,199
Allocated investment return transferred from the non-technical account	35,858
Net operating expenses other than acquisition costs	33,918
Balance on the technical account	159,975

All acquisition costs are attributable to business allocated to the 2006 pure year of account.

Notes to the accounts
for the 36 months ended 31 December 2008

8. Investment income and expenses

	£'000s
Investment income	
Income from investments	22,489
Net gains on the realisation of investments	8,491
Total	30,980
Investment expenses	
Investment management expenses, including interest	(336)

9. Investments

	£'000s
Debt securities and other fixed income securities	288,465
Deposits with credit institutions	10,534
Total	298,999

10. Debtors

	£'000s
Arising out of direct insurance operations	
Due from intermediaries	47,068
Inter-year loans	10,783
Arising out of reinsurance operations	35,415
Other debtors	1,400
Total	94,666

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

12. Amounts due to members

	£'000s
Profit for the 2006 closed year of account	159,975
Early profit release to members	(118,122)
Members' agents' fee advances	(1,859)
Amounts due to members at 31 December 2008	39,994

13. Creditors

	£'000s
Arising out of direct insurance operations	
Due to intermediaries	49,835
Arising out of reinsurance operations	30,330
Other creditors	17,698
Total	97,863

14. Reconciliation of profit for the year of account to net cash inflow from operating activities

	£'000s
Profit for the closed year account on ordinary activities	159,975
Realised and unrealised investment (gains) including foreign exchange	(13,172)
Net RITC premium payable	295,301
Non-cash consideration for net RITC receivable	(208,129)
(Increase) in debtors	(16,711)
(Decrease) in creditors	(39,541)
Net cash inflow from operating activities	177,723

Consideration for net RITC receivable comprised:

	£'000s
Non-cash consideration	
Portfolio investments	248,231
Deposits	18,086
Debtors	80,073
Creditors	(138,261)
	208,129
Cash	9,316
Total	217,445

15. Movement in opening and closing portfolio investments net of financing

	£'000s
Net cash inflow for the 36 months	1,836
Cash flow	
Deposits	6,206
Portfolio investments	40,384
Movement arising from cash flows	48,426
Received as consideration for net RITC receivable	275,633
Changes in market value and exchange rates	13,172
Total movement in portfolio investments	337,231
Portfolio at 1 January 2006	–
Portfolio at 31 December 2008	337,231

Movement in cash, portfolio investments and financing

	At 1 January 2006 £'000s	Cash flow £'000s	Received as consideration for RITC £'000s	Changes to market value and currencies £'000s	At 31 December 2008 £'000s
Cash at bank and in hand	–	1,836	9,316	–	11,152
Debt securities and other fixed income securities	–	29,850	248,231	10,384	288,465
Deposits with credit institutions	–	10,534	–	–	10,534
Total portfolio investments	–	40,384	248,231	10,384	298,999
Deposits with ceding undertakings	–	196	209	–	405
Overseas deposits	–	4,731	25,789	2,764	33,284
Deposits received from reinsurers	–	1,279	(7,912)	24	(6,609)
Total cash, portfolio investments and financing	–	48,426	275,633	13,172	337,231

Notes to the accounts
for the 36 months ended 31 December 2008

16. Net cash (outflow) on portfolio investments

	£'000s
Purchase of debt securities and other fixed income securities	(1,081,297)
Sale of debt securities and other fixed income securities	1,051,447
Deposits with credit institutions	(10,534)
Net cash (outflow) on portfolio investments	(40,384)

17. Related parties
Syndicate 510 accepted inwards reinsurance business from, and placed outwards reinsurance business with, other Tokio Marine Group companies that are deemed to be related parties of R J Kiln & Co Limited by virtue of the shareholding in Kiln Group Limited by Tokio Marine Holdings, Inc.. All transactions with these entities were conducted at arms length and at normal commercial terms. Written premiums ceded by Syndicate 510 to related parties for the 2006 year of account were £15,943,725. Paid recoveries from related parties during the period were £4,453,140. Unpaid recoveries at the period end amounted to £1,137 and future recoveries on outstanding claims, including an element of IBNR, were £15,959.

W. R. Berkley Corporation is a related party of R J Kiln & Co Limited by virtue of its wholly-owned subsidiary, Berkley Insurance Corporation, which owned 20% of the issued share capital of Kiln Ltd Ltd which was sold to Tokio Marine & Nichido Fire Insurance Co., Ltd on 10 March 2008.

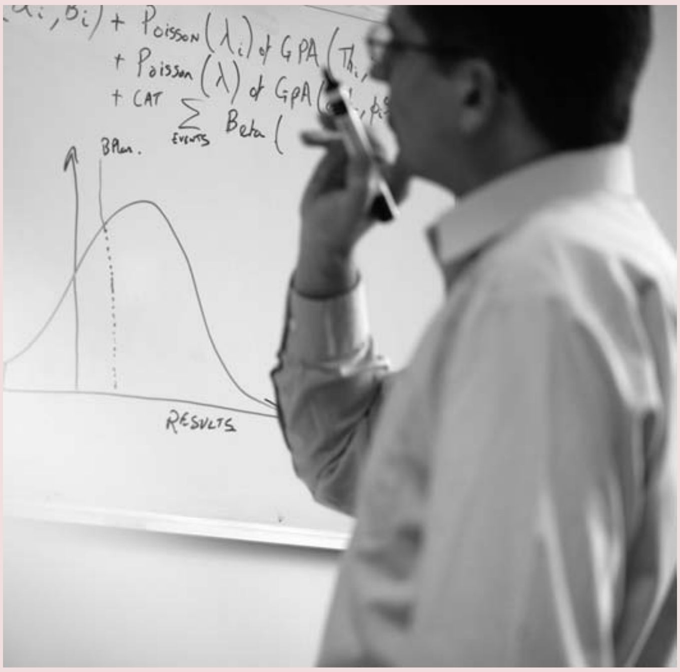
The syndicate received business from the following service and related companies whose investments are held ultimately by the managing agency: Kiln South Africa (Proprietary) Limited (100% owned) and International Marine Insurance Managers (South Africa) (25% owned). These businesses each produce less than 1% of the syndicate's gross premium income.

Profit commission of £22,839,574 is payable by the syndicate to R J Kiln & Co Limited in respect of profits for the 2006 year.

Managing agency fees of £4,678,982 were paid by the syndicate to R J Kiln & Co Limited. In addition to this, expenses of £18,523,997 were paid to R J Kiln & Co Limited for expenses paid on behalf of the syndicate.

The note on related parties on page 16 provides further information regarding all syndicates and related parties.

Kiln Catastrophe Syndicate Non-marine



Profit and loss account

technical account – general business for the 36 months ended 31 December 2008

	Note	2006 £'000s
Syndicate allocated capacity		54,679
Earned premiums, net of reinsurance		
Gross premiums written	1	25,978
Outward reinsurance premiums		(3,266)
Earned premiums, net of reinsurance		22,712
Reinsurance to close premium received, net of reinsurance	2	11,189
Allocated investment return transferred from the non-technical account		3,959
Claims incurred, net of reinsurance		
Claims paid		
Gross amount		(2,904)
Reinsurers' share		2,076
Reinsurance to close premium payable, net of reinsurance	3	(12,469)
Claims incurred, net of reinsurance		(13,297)
Net operating expenses	4,5,6	(2,478)
Balance on the technical account – general business	7	22,085

Profit and loss account

non-technical account for the 36 months ended 31 December 2008

	Note	£'000s
Balance on the general business technical account		22,085
Investment income	8	3,223
Investment expenses and charges	8	(27)
Net unrealised gains on investments		763
Allocated investment return transferred to general business technical account		(3,959)
Profit for the 2006 closed year of account		22,085

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

for the 2006 closed year of account at 31 December 2008

Assets	Note	£'000s
Investments	9	35,573
Deposits with ceding undertakings		4
Debtors	10	900
Reinsurance recoveries anticipated on gross reinsurance to close premium payable to close the account	3	567
Other assets		
Cash at bank and in hand		2,064
Other	11	309
Prepayments and accrued income		2
Total assets		39,419

Liabilities	Note	£'000s
Amounts due to members	12	21,762
Reinsurance to close premium payable to close the account – gross amount		13,036
Deposits received from reinsurers		636
Creditors	13	3,972
Accruals and deferred income		13
Total liabilities		39,419

The underwriting year accounts, which comprise pages 93 to 102 and the notes and principal accounting policies applicable to all syndicates on pages 81 and 82 were approved by the board of R J Kiln & Co Limited on 17 March 2009 and were signed on its behalf by

James Dover
Finance director
R J Kiln & Co Limited
17 March 2009

Cash flow statement

for the 36 months ended 31 December 2008

	Note	£'000s
Net cash inflow from operating activities	14	16,810
Financing		
Members' agents' fees paid on behalf of members	12	(323)
Net cash flows		16,487
Cash flows were invested as follows		
Increase in cash holdings	15	2,064
Increase in deposits	15	1,655
Net portfolio investments	15,16	12,768
Net investment of cash flows	15	16,487

Notes to the accounts

for the 36 months ended 31 December 2008

1. Segmental analysis

An analysis of the underwriting result before investment return is set out below:

	Gross premiums written (notes i & iv) £'000s	Gross claims incurred (note ii) £'000s	Gross operating expenses £'000s	Re-insurance balance (note iii) £'000s	Total £'000s
Direct insurance					
Accident and health	212	(2)	(16)	–	194
Fire and other damage to property	7,065	(3,208)	(1,335)	–	2,522
Other direct	35	–	(5)	–	30
	7,312	(3,210)	(1,356)	–	2,746
Reinsurance acceptances	18,666	(5,306)	(1,122)	(628)	11,610
	25,978	(8,516)	(2,478)	(628)	14,356
RITC received	13,116	(7,424)	–	(1,922)	3,770
Total	39,094	(15,940)	(2,478)	(2,550)	18,126

i. Gross premiums earned are identical to gross premiums written.
ii. Gross claims incurred comprise gross claims paid and gross reinsurance to close premium payable.
iii. The reinsurance balance comprises reinsurance recoveries on claims paid, reinsurance recoveries anticipated on reinsurance to close payable, reinsurance commissions receivable less reinsurance premiums ceded and reinsurance recoveries anticipated on reinsurance to close receivable.
iv. All premiums are concluded in the UK.

The geographical analysis of premiums by destination is as follows:

	£'000s
UK	15,092
Other EU countries	163
US	18,135
Other	5,704
Total	39,094

2. Reinsurance to close premium receivable

	£'000s
Gross reinsurance to close premium receivable	13,116
Reinsurance recoveries anticipated	(1,927)
Reinsurance to close premium receivable, net of reinsurance	11,189

3. Reinsurance to close premium payable

	£'000s
Gross notified outstanding claims	7,337
Reinsurance recoveries anticipated	(547)
Net notified outstanding claims	6,790
Provision for gross claims IBNR	5,699
Reinsurance recoveries anticipated on IBNR	(20)
Provision for net IBNR	5,679
Reinsurance to close premium payable, net of reinsurance	12,469

The reinsurance to close is effected to the 2007 year of account of Syndicate 557.

4. Operating expenses

	£'000s
Acquisition costs	5,236
Members' standard personal expenses	4,688
Administrative expenses	1,322
(Profit) on exchange	(8,768)
Gross and net operating expenses	2,478

Within administrative expenses were £61,570 of audit fees charged to the 2006 year of account; no non-audit services were provided by the auditors.

5. Staff numbers and costs

All staff are employed by Kiln Insurance Services Limited. The following amounts were recharged to the 2006 year of account in respect of salary costs:

	£'000s
Wages, salaries and social security costs	301
Other pension costs	343
Total	644

The average number of employees employed by Kiln Insurance Services Limited but working on the 2006 year of account was as follows:

Administration and finance	10
Underwriting	5
Claims	1
Total	16

6. Emoluments of the directors and active underwriter

The active underwriter received £153,802 remuneration charged to the 2006 year of account. The Kiln Group operates a bonus pooling arrangement such that profit-related pay is generated from both profit commission and the Group's share of the underwriting result through its corporate member Kiln Underwriting Limited. A considerable portion of the profit-related pay is therefore borne by other Kiln Group entities.

The directors received £173,006 of emoluments charged to the 2006 year of account.

7. Analysis of technical result

	£'000s
Balance excluding investment return and operating expenses, other than acquisition costs	
Amount attributable to business allocated to the 2006 year of account	11,598
Surplus on the RITC of the 2005 year of account	3,770
	15,368
Allocated investment return transferred from the non-technical account	3,959
Net operating expenses other than acquisition costs	2,758
Balance on the technical account	22,085

All acquisition costs are attributable to business allocated to the 2006 pure year of account.

Notes to the accounts
for the 36 months ended 31 December 2008

8. Investment income and expenses

	£'000s
Investment income	
Income from investments	2,147
Net gains on the realisation of investments	1,076
Total	3,223
Investment expenses	
Investment management expenses, including interest	(27)

9. Investments

	£'000s
Debt securities and other fixed income securities	34,906
Deposits with credit institutions	667
Total	35,573

10. Debtors

	£'000s
Arising out of reinsurance operations	880
Other debtors	20
Total	900

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

12. Amounts due to members

	£'000s
Profit for the 2006 closed year of account	22,085
Members' agents' fee advances	(323)
Amounts due to members at 31 December 2008	21,762

13. Creditors

	£'000s
Arising out of direct insurance operations	
Due to intermediaries	30
Arising out of reinsurance operations	432
Other creditors	3,510
Total	3,972

14. Reconciliation of profit for the year of account to net cash inflow from operating activities

	£'000s
Profit for the closed year account on ordinary activities	22,085
Realised and unrealised investment (gains) including foreign exchange	(10,449)
Net RITC premium payable	12,469
Non-cash consideration for net RITC receivable	(11,189)
Decrease in debtors	879
Increase in creditors	3,015
Net cash inflow from operating activities	16,810

Consideration for net RITC receivable comprised:

	£'000s
Non-cash consideration	
Portfolio investments	(12,398)
Deposits	2,020
Debtors	(1,781)
Creditors	970
	(11,189)
Cash	–
Total	(11,189)

15. Movement in opening and closing portfolio investments net of financing

	£'000s
Net cash inflow for the 36 months	2,064
Cash flow	
Deposits	1,655
Portfolio investments	12,768
Movement arising from cash flows	16,487
Received as consideration for net RITC receivable	10,378
Changes in market value and exchange rates	10,449
Total movement in portfolio investments	37,314
Portfolio at 1 January 2006	–
Portfolio at 31 December 2008	37,314

Movement in cash, portfolio investments and financing

	At 1 January 2006 £'000s	Cash flow £'000s	Received as consideration for RITC £'000s	Changes to market value and currencies £'000s	At 31 December 2008 £'000s
Cash at bank and in hand	–	2,064	–	–	2,064
Debt securities and other fixed income securities	–	12,768	12,398	10,407	35,573
Total portfolio investments	–	12,768	12,398	10,407	35,573
Deposits with ceding undertakings	–	–	4	–	4
Overseas deposits	–	(5)	313	1	309
Deposits received from reinsurers	–	1,660	(2,337)	41	(636)
Total cash, portfolio investments and financing	–	16,487	10,378	10,449	37,314

Notes to the accounts
for the 36 months ended 31 December 2008

16. Net cash (outflow) on portfolio investments

	£'000s
Purchase of debt securities and other fixed income securities	(121,101)
Sale of debt securities and other fixed income securities	108,333
Net cash (outflow) on portfolio investments	(12,768)

17. Related parties
Syndicate 557 accepted inwards reinsurance business from, and placed outwards reinsurance business with, other Tokio Marine Group companies that are deemed to be related parties of R J Kiln & Co Limited by virtue of the shareholding in Kiln Group Limited by Tokio Marine Holdings, Inc.. All transactions with these entities were conducted at arms length and at normal commercial terms. None of these transactions are material to either party.

Profit commission of £3,457,604 is payable by the syndicate to R J Kiln & Co Limited in respect of profits for the 2006 year.

Managing agency fees of £409,789 were paid by the syndicate to R J Kiln & Co Limited. In addition to this, expenses of £692,418 were paid to R J Kiln & Co Limited for expenses paid on behalf of the syndicate.

The note on related parties on page 16 provides further information regarding all syndicates and related parties.

Kiln Mathers Syndicate
Non-marine

Profit and loss account

technical account – general business for the 36 months ended 31 December 2008

	Note	2006 £'000s
Syndicate allocated capacity		109,968
Earned premiums, net of reinsurance		
Gross premiums written	1	118,279
Outward reinsurance premiums		(15,433)
Earned premiums, net of reinsurance		102,846
Reinsurance to close premium received, net of reinsurance	2	24,014
Allocated investment return transferred from the non-technical account		5,355
Claims incurred, net of reinsurance		
Claims paid		
Gross amount		(49,590)
Reinsurers' share		1,196
Reinsurance to close premium payable, net of reinsurance	3	(28,605)
Claims incurred, net of reinsurance		(76,999)
Net operating expenses	4,5,6	(31,994)
Balance on the technical account – general business	7	23,222

Profit and loss account

non-technical account for the 36 months ended 31 December 2008

	Note	£'000s
Balance on the general business technical account		23,222
Investment income	8	4,576
Investment expenses and charges	8	(22)
Net unrealised gains on investments		801
Allocated investment return transferred to general business technical account		(5,355)
Profit for the 2006 closed year of account		23,222

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

for the 2006 closed year of account at 31 December 2008

Assets	Note	£'000s
Investments	9	35,758
Deposits with ceding undertakings		18
Debtors	10	7,130
Reinsurance recoveries anticipated on gross reinsurance to close premium payable to close the account	3	690
Other assets		
Cash at bank and in hand		1,712
Other	11	5,968
Prepayments and accrued income		5
Total assets		51,281

Liabilities	Note	£'000s
Amounts due to members	12	8,494
Reinsurance to close premium payable to close the account – gross amount		29,295
Deposits received from reinsurers		53
Creditors	13	13,439
Total liabilities		51,281

The underwriting year accounts, which comprise pages 103 to 112 and the notes and principal accounting policies applicable to all syndicates on pages 81 and 82 were approved by the board of R J Kiln & Co Limited on 17 March 2009 and were signed on its behalf by

James Dover
Finance director
R J Kiln & Co Limited
17 March 2009

Cash flow statement

for the 36 months ended 31 December 2008

	Note	£'000s
Net cash inflow from operating activities	14	14,831
Transfers to members in respect of underwriting participations	12	(14,440)
Financing		
Members' agents' fees paid on behalf of members	12	(288)
Net cash flows		103
Cash flows were invested as follows		
Increase in cash holdings	15	1,712
Increase in deposits	15	1,329
Net portfolio investments	15,16	(2,938)
Net investment of cash flows	15	103

Notes to the accounts
for the 36 months ended 31 December 2008

1. Segmental analysis
An analysis of the underwriting result before investment return is set out below:

	Gross premiums written (notes i & iv) £'000s	Gross claims incurred (note ii) £'000s	Gross operating expenses £'000s	Re-insurance balance (note iii) £'000s	Total £'000s
Direct insurance					
Accident and health	23,057	(14,958)	(8,027)	(158)	(86)
Fire and other damage to property	54,721	(30,004)	(16,632)	(5,016)	3,069
Motor combined	1,894	(1,410)	(413)	(13)	58
Other direct	3,123	(1,208)	(1,142)	-	773
	82,795	(47,580)	(26,214)	(5,187)	3,814
Reinsurance acceptances	35,484	(9,170)	(5,780)	(8,767)	11,767
	118,279	(56,750)	(31,994)	(13,954)	15,581
RITC received	25,074	(22,135)	-	(653)	2,286
Total	143,353	(78,885)	(31,994)	(14,607)	17,867

i. Gross premiums earned are identical to gross premiums written.
ii. Gross claims incurred comprise gross claims paid and gross reinsurance to close premium payable.
iii. The reinsurance balance comprises reinsurance recoveries on claims paid, reinsurance recoveries anticipated on reinsurance to close payable, reinsurance commissions receivable less reinsurance premiums ceded and reinsurance recoveries anticipated on reinsurance to close receivable.
iv. All premiums are concluded in the UK.

The geographical analysis of premiums by destination is as follows:

	£'000s
UK	28,529
Other EU countries	7,926
US	71,701
Other	35,197
Total	143,353

2. Reinsurance to close premium receivable

	£'000s
Gross reinsurance to close premium receivable	25,074
Reinsurance recoveries anticipated	(1,060)
Reinsurance to close premium receivable, net of reinsurance	24,014

3. Reinsurance to close premium payable

	£'000s
Gross notified outstanding claims	21,636
Reinsurance recoveries anticipated	(658)
Net notified outstanding claims	20,978
Provision for gross claims IBNR	7,659
Reinsurance recoveries anticipated on IBNR	(32)
Provision for net IBNR	7,627
Reinsurance to close premium payable, net of reinsurance	28,605

The reinsurance to close is effected to the 2007 year of account of Syndicate 807.

4. Operating expenses

	£'000s
Acquisition costs	36,973
Members' standard personal expenses	7,219
Administrative expenses	4,762
(Profit) on exchange	(16,960)
Gross and net operating expenses	31,994

Within administrative expenses were £73,437 of audit fees charged to the 2006 year of account; no non-audit services were provided by the auditors.

5. Staff numbers and costs

All staff are employed by Kiln Insurance Services Limited. The following amounts were recharged to the 2006 year of account in respect of salary costs:

	£'000s
Wages, salaries and social security costs	1,997
Other pension costs	754
Total	2,751

The average number of employees employed by Kiln Insurance Services Limited but working on the 2006 year of account was as follows:

Administration and finance	14
Underwriting	8
Claims	2
Total	24

6. Emoluments of the directors and active underwriter

The active underwriter received £612,156 remuneration charged to the 2006 year of account. The Kiln Group operates a bonus pooling arrangement such that profit-related pay is generated from both profit commission and the Group's share of the underwriting result through its corporate member Kiln Underwriting Limited. A considerable portion of the profit-related pay is therefore borne by other Kiln Group entities.

The directors received £1,486,490 of emoluments charged to the 2006 year of account.

7. Analysis of technical result

	£'000s
Balance excluding investment return and operating expenses, other than acquisition costs	
Amount attributable to business allocated to the 2006 year of account	10,602
Surplus on the RITC of the 2005 year of account	2,286
	12,888
Allocated investment return transferred from the non-technical account	5,355
Net operating expenses other than acquisition costs	4,979
Balance on the technical account	23,222

All acquisition costs are attributable to business allocated to the 2006 pure year of account.

Notes to the accounts
for the 36 months ended 31 December 2008

8. Investment income and expenses

	£'000s
Investment income	
Income from investments	3,395
Net gains on the realisation of investments	1,181
Total	4,576
Investment expenses	
Investment management expenses, including interest	(22)

9. Investments

	£'000s
Debt securities and other fixed income securities	33,713
Deposits with credit institutions	2,045
Total	35,758

10. Debtors

	£'000s
Arising out of direct insurance operations	
Due from intermediaries	470
Arising out of reinsurance operations	6,606
Other debtors	54
Total	7,130

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

12. Amounts due to members

	£'000s
Profit for the 2006 closed year of account	23,222
Early profit release to members	(14,440)
Members' agents' fee advances	(288)
Amounts due to members at 31 December 2008	8,494

13. Creditors

	£'000s
Arising out of direct insurance operations	
Due to intermediaries	2,095
Inter-year loans	7,231
Arising out of reinsurance operations	1,920
Other creditors	2,193
Total	13,439

14. Reconciliation of profit for the year of account to net cash inflow from operating activities

	£'000s
Profit for the closed year account on ordinary activities	23,222
Realised and unrealised investment (gains) including foreign exchange	(15,948)
Net RITC premium payable	28,605
Non-cash consideration for net RITC receivable	(24,014)
(Increase) in debtors	(3,558)
Increase in creditors	6,524
Net cash inflow from operating activities	14,831

Consideration for net RITC receivable comprised:

	£'000s
Non-cash consideration	
Portfolio investments	(22,866)
Deposits	(4,486)
Debtors	(3,577)
Creditors	6,915
	(24,014)
Cash	–
Total	(24,014)

15. Movement in opening and closing portfolio investments net of financing

	£'000s
Net cash inflow for the 36 months	1,712
Cash flow	
Deposits	1,329
Portfolio investments	(2,938)
Movement arising from cash flows	103
Received as consideration for net RITC receivable	27,352
Changes in market value and exchange rates	15,948
Total movement in portfolio investments	43,403
Portfolio at 1 January 2006	–
Portfolio at 31 December 2008	43,403

Movement in cash, portfolio investments and financing

	At 1 January 2006 £'000s	Cash flow £'000s	Received as consideration for RITC £'000s	Changes to market value and currencies £'000s	At 31 December 2008 £'000s
Cash at bank and in hand	–	1,712	–	–	1,712
Debt securities and other fixed income securities	–	(4,983)	22,866	15,830	33,713
Deposits with credit institutions	–	2,045	–	–	2,045
Total portfolio investments	–	(2,938)	22,866	15,830	35,758
Deposits with ceding undertakings	–	5	13	–	18
Overseas deposits	–	1,248	4,602	118	5,968
Deposits received from reinsurers	–	76	(129)	–	(53)
Total cash, portfolio investments and financing	–	103	27,352	15,948	43,403

Notes to the accounts
for the 36 months ended 31 December 2008

16. Net cash inflow on portfolio investments

	£'000s
Purchase of debt securities and other fixed income securities	(135,651)
Sale of debt securities and other fixed income securities	140,634
Deposits with credit institutions	(2,045)
Net cash inflow on portfolio investments	2,938

17. Related parties
Syndicate 807 accepted inwards reinsurance business from, and placed outwards reinsurance business with, other Tokio Marine Group companies that are deemed to be related parties of R J Kiln & Co Limited by virtue of the shareholding in Kiln Group Limited by Tokio Marine Holdings, Inc.. All transactions with these entities were conducted at arms length and at normal commercial terms. None of these transactions are material to either party.

Profit commission of £4,807,093 is payable by the syndicate to R J Kiln & Co Limited in respect of profits for the 2006 year.

Managing agency fees of £761,908 were paid by the syndicate to R J Kiln & Co Limited. In addition to this, expenses of £3,579,951 were paid to R J Kiln & Co Limited for expenses paid on behalf of the syndicate.

The note on related parties on page 16 provides further information regarding all syndicates and related parties.

Kiln Life Syndicate
Life

Profit and loss account

technical account – long term business for the 36 months ended 31 December 2008

	Note	2006 £'000s
Syndicate allocated capacity		13,000
Earned premiums, net of reinsurance		
Gross premiums written	1	12,072
Outward reinsurance premiums		(893)
Earned premiums, net of reinsurance		11,179
Reinsurance to close premium received, net of reinsurance	2	518
Investment income	8	
Income from other investments		355
Gains on the realisation of investments		4
Investment income		359
Claims incurred, net of reinsurance		
Claims paid		
Gross amount		(3,618)
Reinsurers' share		224
Reinsurance to close premium payable, net of reinsurance	3	(2,230)
Claims incurred, net of reinsurance		(5,624)
Net operating expenses	4,5,6	(5,141)
Investment expenses and charges	8	(4)
Balance on the technical account – long term business and profit for the closed 2006 year of account	7	1,287

There are no non-technical items.

There are no recognised gains or losses in the accounting period other than those dealt with in the technical account.

Balance sheet
for the 2006 closed year of account at 31 December 2008

Assets	Note	£'000s
Debtors	9	427
Reinsurance recoveries anticipated on gross reinsurance to close premium payable to close the account	3	170
Other assets		
Cash at bank and in hand		3,629
Prepayments and accrued income		4
Total assets		4,230

Liabilities	Note	£'000s
Amounts due to members	10	1,271
Reinsurance to close premium payable to close the account – gross amount		2,400
Creditors	11	559
Total liabilities		4,230

The underwriting year accounts, which comprise pages 113 to 120 and the notes and principal accounting policies applicable to all syndicates on pages 81 and 82 were approved by the board of R J Kiln & Co Limited on 17 March 2009 and were signed on its behalf by

James Dover
Finance director
R J Kiln & Co Limited
17 March 2009

Cash flow statement

for the 36 months ended 31 December 2008

	Note	£'000s
Net cash inflow from operating activities	12	3,645
Financing		
Members' agents' fees paid on behalf of members	10	(16)
Net cash flows		3,629
Cash flows were invested as follows		
Increase in cash holdings	13	2,639
Cash consideration for net RITC receivable	12	990
Net investment of cash flows		3,629

Notes to the accounts

for the 36 months ended 31 December 2008

1. Segmental analysis

An analysis of the underwriting result before investment return is set out below:

	Gross premiums written (note i) £'000s	Re-insurance balance (note ii) £'000s
Direct insurance	10,007	(41)
Reinsurance acceptances	2,065	(9)
RITC received	492	26
Total	12,564	(24)

i. Gross premiums written comprise gross premium written and the gross reinsurance to close premium receivable.
ii. The reinsurance balance comprises reinsurance recoveries on claims paid, reinsurance recoveries anticipated on reinsurance to close payable, reinsurance commissions receivable less reinsurance premiums ceded and reinsurance recoveries anticipated on reinsurance to close receivable.

The direct gross written premium can be further analysed as follows:

	£'000s
Individual premiums	4,903
Premiums under group contracts	5,104
Total	10,007
Periodic premiums	6,304
Single premiums	3,703
Total	10,007

All premiums were concluded in the UK.

The geographical analysis of premiums by destination is as follows:

	£'000s
UK	5,996
Other EU countries	1,583
US	370
Other	4,615
Total	12,564

2. Reinsurance to close premium receivable

	£'000s
Gross reinsurance to close premium receivable	492
Reinsurance recoveries anticipated	26
Reinsurance to close premium receivable, net of reinsurance	518

Notes to the accounts

for the 36 months ended 31 December 2008

3. Reinsurance to close premium payable

	£'000s
Gross notified outstanding claims	198
Reinsurance recoveries anticipated	(17)
Net notified outstanding claims	181
Provision for gross claims IBNR	2,202
Reinsurance recoveries anticipated on IBNR	(153)
Provision for net IBNR	2,049
Reinsurance to close premium payable, net of reinsurance	2,230

The reinsurance to close is effected to the 2007 year of account of Syndicate 308.

The reinsurance to close is calculated by an external actuary.

4. Operating expenses

	£'000s
Acquisition costs	3,740
Members' standard personal expenses	557
Administrative expenses	1,326
(Profit) on exchange	(33)
Gross operating expenses	5,590
Reinsurance commissions and profit participations	(449)
Net operating expenses	5,141

Within administrative expenses were £48,010 of audit fees charged to the 2006 year of account; no non-audit services were provided by the auditors.

5. Staff numbers and costs

All staff are employed by Kiln Insurance Services Limited. The following amounts were recharged to the 2006 year of account in respect of salary costs:

	£'000s
Wages, salaries and social security costs	760
Other pension costs	158
Total	918

The average number of employees employed by Kiln Insurance Services Limited but working on the 2006 year of account was as follows:

Administration and finance	5
Underwriting	6
Total	11

6. Emoluments of the directors and active underwriter

The active underwriter received £123,095 of emoluments charged to the 2006 year of account. The Kiln Group operates a bonus pooling arrangement such that profit-related pay is generated from both profit commission and the Group's share of the underwriting result through its corporate member Kiln Underwriting Limited. A considerable portion of the profit-related pay is therefore borne by other Kiln Group entities.

The directors received £46,678 remuneration charged to the 2006 year of account.

7. Analysis of technical result

	£'000s
Balance excluding investment return and operating expenses, other than acquisition costs	
Amount attributable to business allocated to the 2006 year of account	2,310
Surplus on the RITC of the 2005 year of account	472
	2,782
Investment return	355
Net operating expenses other than acquisition costs	(1,850)
Balance on the technical account	1,287

All acquisition costs are attributable to business allocated to the 2006 pure year of account.

8. Investment income and expenses

There are no non-technical investment return items.

9. Debtors

	£'000s
Arising out of direct insurance operations	
Due from intermediaries	368
Arising out of reinsurance operations	56
Other debtors	3
Total	427

10. Amounts due to members

	£'000s
Profit for the 2006 closed year of account	1,287
Members' agents' fee advances	(16)
Amounts due to members at 31 December 2008	1,271

11. Creditors

	£'000s
Arising out of direct insurance operations	
Due to intermediaries	491
Arising out of reinsurance operations	(203)
Other creditors	271
Total	559

Notes to the accounts
for the 36 months ended 31 December 2008

12. Reconciliation of profit for the year of account to net cash inflow from operating activities

	£'000s
Profit for the closed year account on ordinary activities	1,287
Net RITC premium payable	2,230
Non-cash consideration for net RITC receivable	472
Decrease in debtors	517
(Decrease) in creditors	(861)
Net cash inflow from operating activities	3,645

Consideration for net RITC receivable comprised:

	£'000s
Non-cash consideration	
Debtors	948
Creditors	(1,420)
	(472)
Cash	990
Total	518

13. Movement in opening and closing portfolio investments net of financing

	£'000s
Net cash inflow for the 36 months	2,639
Received as consideration for net RITC receivable	990
Total movement in portfolio investments	3,629
Portfolio at 1 January 2006	–
Portfolio at 31 December 2008	3,629

Movement in cash, portfolio investments and financing

	At 1 January 2006 £'000s	Cash flow £'000s	Received as consideration for RITC £'000s	Changes to market value and currencies £'000s	At 31 December 2008 £'000s
Cash at bank and in hand	–	2,639	990	–	3,629
Total cash, portfolio investments and financing	–	2,639	990	–	3,629

14. Related parties
Syndicate 308 did not accept inwards reinsurance business from, or place outwards reinsurance business with, other Tokio Marine Group companies that are deemed to be related parties of R J Kiln & Co Limited by virtue of the shareholding in Kiln Group Limited by Tokio Marine Holdings, Inc..

Profit commission of £266,404 is payable by the syndicate to R J Kiln & Co Limited in respect of profits for the 2006 year.

Managing agency fees of £95,620 were paid by the syndicate to R J Kiln & Co Limited. In addition to this, expenses of £1,385,052 were paid to R J Kiln & Co Limited for expenses paid on behalf of the syndicate.

The note on related parties on page 16 provides further information regarding all syndicates and related parties.

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