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Hampden Underwriting PLC ("Hampden Underwriting" or the "Company") Interim results for the six months ended 30 June 2008

Hampden Underwriting, which provides investors with a limited liability direct investment into the Lloyd's insurance market, announces its unaudited results for the six months ended 30 June 2008.

Highlights

- Commenced underwriting with an allocated capacity of £5.1m.
- Premium written during the period totalled £2.8m.
- Group's first acquisition of a Lloyd's corporate member during the period.
- Net assets increased to £7.2m.

Commenting upon these results the Chairman, Sir Michael Oliver, said:

"While it's too early to comment on the likely result for the 2008 year of account, the Group has had a satisfactory result for the six month period. The insurance industry has generally fared well through the global crisis and Lloyd's continues to outperform its peer groups. We expect Lloyd's to continue to remain an attractive investment for 2009 and beyond."

Hampden Underwriting	Jeremy Evans	020 7863 6567
Smith & Williamson Corporate Finance Limited	Azhic Basirov David Jones Joanne du Plessis	020 7131 4000
Cardew Group	Tim Robertson Shan Shan Willenbrock David Roach	020 7930 0777

Chairman's statement

The Group's first period of underwriting has resulted in a profit before tax of £148,000. This has been achieved despite the fact that the first six months underwriting has been hit by costs which are unlikely to recur in the second half of the year. This is typical of any new start up in the Lloyd's market.

The above together with the investment income generated from the funds held by the group has contributed to a satisfactory result for the period.

It is too early to comment on the likely result for the 2008 year of account which will be dependent on major loss activity, in particular the insured loss from Hurricane Ike, which may be the third largest insured hurricane loss in history.

The recent turmoil in the credit markets has precipitated the difficulties encountered by the world's largest property/casualty insurance group, which has obtained a loan from the Federal Reserve Bank of New York of \$85bn. Together with losses from Hurricane Ike estimated at up to \$18bn, there are grounds for improved profit potential for 2009 and 2010 on the syndicates backed by the Company at Lloyd's. This is supported by the fact that Managing Agency Partners, which manages the second best performing syndicate in the Company's portfolio, Syndicate 2791, has recently announced that it proposes to renew its "sidecar" reinsurance Syndicate 6103 for a third year. The business case is based on reinsurance rates remaining steady for 2009, which we view as a conservative assumption.

So far, the insurance industry, with some notable exceptions, has fared well through the global credit crisis. The operating performance of Lloyd's continues to outperform its peer groups with an 84% combined ratio on an annual accounted basis for the 2007 financial year. The syndicates on which we participate have historically outperformed the Lloyd's average by a considerable margin. Lloyd's has emerged since 2002 and particularly since the establishment of the Franchise Performance

Board in 2003 with its reputation enhanced and we expect this to continue with Lloyd's remaining an attractive investment for 2009 and beyond.

Condensed Group Income Statement Six months ended 30 June 2008

	Note	6 months ended 30 June 2008 £'000	4 months ended 31 December 2007 £'000
Gross premium written		2,788	-
Reinsurance premium ceded		(562)	-
Net premiums written		2,226	-
Change in unearned gross premium provision		(1,940)	-
Change in unearned reinsurance premium provision		395	-
		(1,545)	-
Net earned premium	2	681	-
Net investment income	2,3	195	174
Other income	2,9	23	-
Revenue		899	174
Gross claims paid		(120)	-
Reinsurance share of gross claims paid		17	-
Claims paid, net of reinsurance		(103)	-
Change in provision for gross claims		(359)	-
Reinsurance share of change in provision for gross claims		32	-
Net change in provision for claims		(327)	-
Net insurance claims and loss adjustment expenses	2	(430)	-
Expenses incurred in insurance activities	2	(165)	-
Other operating expenses	2	(156)	(85)
Operating expenses		(321)	(85)
Operating profit before tax	2	148	89
Income tax expense	4	(40)	(27)
Profit attributable to equity shareholders	8	108	62
Earnings per share attributable to equity shareholders			
Basic and diluted	5	1.46p	0.83p

The profit and earnings per share set out above are in respect of continuing operations.

Condensed Group Balance Sheet At 30 June 2008

	Note	30 June 2008 £'000	31 December 2007 £'000
Assets			
Intangible assets		1,052	981
Financial investments		4,213	2,486
Reinsurance share of insurance liabilities			
- Reinsurers' share of outstanding claims		416	-
- Reinsurers' share of unearned premiums		184	-
Other receivables, including insurance receivables		1,278	112
Prepayments and accrued income		303	-
Cash and cash equivalents		4,037	3,552
Total assets		11,483	7,131
Liabilities			
Insurance liabilities			
- Claims outstanding		2,272	-

- Unearned premiums		1,124	-
Other payables, including insurance payables		798	40
Accruals and deferred income		30	-
Current income tax liabilities		72	27
Deferred income tax liabilities		15	-
Total liabilities		4,311	67
Shareholders' equity			
Share capital	7	741	741
Share premium	7	6,261	6,261
Retained earnings	8	170	62
Total shareholders' equity		7,172	7,064
Total liabilities and shareholders' equity		11,483	7,131

Condensed Group Cash Flow Statement Six months ended 30 June 2008

	6 months ended 30 June 2008 £'000	4 months ended 31 December 2007 £'000
Cash flow from operating activities		
Results of operating activities	148	89
Recognition of negative goodwill	(23)	-
Amortisation of intangible assets	4	-
Change in fair value of investments recognised in the income statement	38	(101)
Changes in working capital:		
Increase in other receivables	(1,469)	(112)
Increase in other payables	803	40
Net increase in technical provisions	2,796	-
Net cash inflow/(outflow) from operating activities	2,297	(84)
Cash flows from investing activities		
Purchase of intangible assets	-	(981)
Purchase of financial investments	(1,727)	(2,385)
Acquisition of subsidiary, net of cash acquired	(85)	-
Net cash used in investing activities	(1,812)	(3,366)
Cash flows from financing activities		
Net proceeds from issue of ordinary share capital	-	7,002
Net cash used in financing activities	-	7,002
Net increase in cash, cash equivalents and bank overdrafts	485	3,552
Cash, cash equivalents and bank overdrafts at beginning of period	3,552	-
Cash, cash equivalents and bank overdrafts at end of period	4,037	3,552

Condensed Group Statement of Changes in Shareholders' Equity Six months ended 30 June 2008

	Ordinary Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Total £'000
At 1 January 2008	741	6,261	62	7,064
Profit for the period attributable to equity shareholders	-	-	108	108
At 30 June 2008	741	6,261	170	7,172

Notes to the Interim Financial Statements Six months ended 30 June 2008

1. Accounting policies

Basis of preparation

The Interim Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs) and in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

The Interim Financial Statements are prepared for the six months ended 30 June 2008. These are the first set of Interim Financial Statements prepared by the Group.

The Interim Financial Statements incorporate the results of Hampden Underwriting plc and Hampden Corporate Member Limited for the six months

ended 30 June 2008 and the results of Nameco (No. 365) Limited for the five months ended 30 June 2008.

The Interim Financial Statements are unaudited, but have been subject to review by the Group's auditors. The Interim Financial Statements have been prepared in accordance with the accounting policies adopted for the period ended 31 December 2007.

The comparative figures are based upon the Group Financial Statements for the period ended 31 December 2007 and represent the period from admission to AIM to 31 December 2007. The Group Financial Statements for the period ended 31 December 2007 have been reported on by the Group's auditors and were delivered to the Registrar of Companies on 8 April 2008.

The underwriting data on which these Interim Financial Statements are based upon has been supplied by the managing agents of those syndicates which the Group supports. The data supplied is the 100% figures for each syndicate. The Group has applied its share of the syndicate participations to the gross figures to derive its share of the syndicates transactions, assets and liabilities. The underwriting transactions in respect of Syndicate 2020 have not been included in these Interim report and accounts as these figures are not available to the Board. The directors are of the opinion that the exclusions of these underwriting transactions do not materially affect the results for the period or the Group's condensed balance sheet.

Significant accounting policies

The Interim Financial Statements have been prepared under the historical cost convention. The same accounting policies, presentation and methods of computation are followed in these Interim Financial Statements as were applied in the preparation of the Group Financial Statements for the period ended 31 December 2007.

The Group will adopt International Financial Reporting Standard (IFRS) 4 Insurance Contracts for the first time in 2008 as the Group commenced underwriting on 1 January 2008. There is no impact of that change in accounting policy on these Interim Financial Statements. Full details will be included in the Group Financial Statements for the year ended 31 December 2008.

2. Segmental information

Primary segment information

The Group has three primary segments which represent the primary way in which the Group is managed:

- Syndicate participation;
- Investment management;
- Other corporate activities.

6 months ended 30 June 2008

	Syndicate participation	Investment management	Other corporate activities	Total
	£'000	£'000	£'000	£'000
Net earned premium	681	-	-	681
Net investment income	8	187	-	195
Other income (note 9)	-	-	23	23
Net insurance claims and loss adjustment expenses	(430)	-	-	(430)
Expenses incurred in insurance activities	(165)	-	-	(165)
Other operating expenses	-	-	(156)	(156)
Results of operating activities	94	187	(133)	148

4 months ended 31 December 2007

	Syndicate participation	Investment management	Other corporate activities	Total
	£'000	£'000	£'000	£'000
Net earned premium	-	-	-	-
Net investment income	-	174	-	174
Other income	-	-	-	-
Net insurance claims and loss adjustment expenses	-	-	-	-
Expenses incurred in insurance activities	-	-	-	-
Other operating expenses	-	-	(85)	(85)
Results of operating activities	-	174	(85)	89

Secondary segment information

The Group does not have any secondary segments as it considers all of its activities to arise from trading within the UK.

3. Net investment income

	6 months ended 30 June 2008	4 months ended 31 December 2007
	£'000	£'000
Investment income at fair value through income statement	79	-
Realised gains on financial investments at fair value through income statement	46	-
Unrealised gains on financial investments at fair value through income statement	-	101
Bank interest	70	73
Net investment income	195	174

4. Income tax expense

6 months 4 months

	ended 30 June 2008 £'000	ended 31 December 2007 £'000
Current tax	40	27
Income tax expense at 28% (2007: 30%)	40	27

5. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

The Group has no dilutive potential ordinary shares.

Earnings per share have been calculated in accordance with IAS 33.

Reconciliation of the earnings and weighted average number of shares used in the calculation is set out below.

>	6 months ended 30 June 2008	4 months ended 31 December 2007
Profit for the period (£)	108,000	61,676
Weighted average number of shares in issue	7,413,376	7,413,376
Basic and diluted earnings per share (p)	1.46	0.83

6. Dividends

No equity dividends were proposed, declared or paid in the period (2007 - £Nil).

7. Share capital and share premium

Authorised	Ordinary Share Capital £'000	Preference Share Capital £'000	Total £'000
Ordinary shares of 10p each and preference shares of 50p each at 1 January 2008	2,950	50	3,000
Ordinary shares of 10p each and preference shares of 50p each at 30 June 2008	2,950	50	3,000

Allotted, called up and fully paid	Ordinary Share Capital £'000	Preference Share Capital £'000	Share Premium £'000	Total £'000
Ordinary share capital, preference share capital and share premium at 1 January 2008	741	-	6,261	7,002
Ordinary share capital, preference share capital and share premium at 30 June 2008	741	-	6,261	7,002

8 Retained earnings

	30 June 2008 £'000	31 December 2008 £'000
At 1 January 2008	62	-
Profit attributable to equity shareholders	108	62
At 30 June 2008	<u>170</u>	<u>62</u>

9. Acquisition of Nameco (No. 365) Limited

On 31 January 2008 Hampden Underwriting plc acquired 100% of the issued share capital of £1 ordinary shares of Nameco (No. 365) Limited for £158,700. Nameco (No. 365) Limited is incorporated in England and Wales and is a corporate member of Lloyd's.

The acquisition has been accounted for using the purchase method of accounting. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the fair value of the net assets was £181,880. Negative goodwill of £23,180 arose on acquisition and has been immediately recognised as other income in the income statement. The following table explains the fair value adjustments made to the carrying values of the major categories of assets and liabilities at the date of acquisition.

	Carrying value £'000	Adjustments £'000	Fair value £'000
Intangible assets	2	73	75
Financial investments	557	-	557
Reinsurance share of insurance liabilities	209	-	209
Other receivables, including insurance receivables	340	-	340
Prepayments and accrued income	42	-	42
Cash and cash equivalents	74	-	74
Insurance liabilities	(885)	-	(885)
Other payables, including insurance payables	(203)	-	(203)
Accruals and deferred income	(12)	-	(12)
Deferred income tax liabilities	(15)	-	(15)

Net assets acquired	109	73	182
Satisfied by:			
Cash and cash equivalents	159	-	159
Positive(negative) goodwill	50	-	(23)

The profit of Nameco (No. 365) Limited for the period since the acquisition date to 30 June 2008 is £6,000.

The group revenue and profit for the period would have been £871,000 and £109,000 respectively if the acquisition date of Nameco (No. 365) Limited had been 1 January 2008.

10. Related party transactions

The table set out below illustrates the Parent Company inter-company balances at the period end.

Company	30 June	31 December
	2008	2007
	£'000	£'000
Balances due from Group companies at the period end:		
Hampden Corporate Member Limited	3,123	3,040
Nameco (No. 365) Limited	120	-
Total	3,243	3,040

Hampden Underwriting plc has provided an inter-company loan to Hampden Corporate Member Limited, a 100% subsidiary of the company. The amount outstanding as at 30 June 2008 is £3,123,000 (2007: £3,040,000). Interest is charged on the loan at base rate plus 0.125%. The loan is repayable on three months notice provided it does not jeopardise the ability of Hampden Corporate Member Limited to meet its liabilities as they fall due.

Hampden Underwriting plc has provided an intercompany loan to Nameco (No. 365) Limited, a 100% subsidiary of the Company. The amount outstanding as at 30 June 2008 is £122,000 (2007: £nil). Interest is charged on the loan at base rate plus 0.125%. The loan is repayable on three months' notice provided it does not jeopardise the ability of Nameco (No. 365) Limited to meet its liabilities as they fall due.

Hampden Underwriting plc and Hampden Corporate Member Limited, a 100% subsidiary of the company, have entered into a management agreement with Nomina plc. Jeremy Richard Holt Evans, a Director of Hampden Underwriting plc and Hampden Corporate Member Limited is also a Director of Nomina plc. Under the agreement, Nomina plc provides management and administration, financial tax and accounting services to the Group for an annual fee of £10,000. No fees have been paid by the Group in the period.

Hampden Corporate Member Limited, a 100% subsidiary of the company, has entered into a member's agent agreement with Hampden Agencies Limited. Jeremy Richard Holt Evans, a Director of Hampden Underwriting plc and Hampden Corporate Member Limited, and Sir James Michael Yorrick Oliver, a Director of Hampden Underwriting plc, are also a Directors of Hampden Capital plc which controls Hampden Agencies Limited. Under the agreement, Hampden Corporate Member Limited will pay Hampden Agencies Limited a fee of 1% of capacity (capped at £250,000) and a profit commission on a sliding scale from 1% of net profit up to a maximum of 10%. No amounts have been paid by Hampden Corporate Member Limited in the period.

Nameco (No. 365) Limited has entered into a management agreement with Nomina Plc and a members agent agreement with Hampden Agencies Limited. Under its management agreement Nameco (No. 365) Limited pays Nomina Plc £2,625 (2007: £2,625) for management and administration, financial, tax and accounting services. Under the members agencies agreement Nameco (No. 365) Limited will pay Hampden Agencies Limited a fee of £4,000 plus 0.25% of capacity and a profit commission on a sliding scale from 1% of net profit up to a maximum of 10%.

Hampden Underwriting plc has entered into a company secretarial agreement with Hampden Legal plc. Under the agreement, Hampden Legal plc provides company secretarial services to the Group for an annual fee of £38,000. During the period, company secretarial fees of £18,000 (2007: £12,000) were charged to Hampden Underwriting plc. Hampden Holdings Limited has a controlling interest in both Hampden Legal Plc and Hampden Capital Plc.

11. Syndicate participations

The syndicates and members' agent pooling arrangements ("MAPA") in which the Company's subsidiaries participate as corporate members of Lloyd's are as follows:

Syndicate or MAPA Number	Managing or Members' Agent	Allocated capacity		
		Year of account		
		2006	2007	2008
		£'000	£'000	£'000
218	Equity Syndicates Management Limited	38,850	40,792	40,792
510	RJ Kiln & Co. Limited	44,000	45,000	36,000
609	Atrium Underwriters Limited	45,000	45,000	45,000
623	Beazley Furlonge Limited	45,198	42,673	40,145
1200	Heritage Managing Agency Limited	36,000	21,445	21,507
2020	Wellington U/W Agencies Limited	46,321	-	-
6104	Hiscox Syndicates Limited	-	-	100,000
7200	Members' Agents Pooling Arrangement	15,150	16,059	14,964
7201	Members' Agents Pooling Arrangement	80,382	85,204	79,368
7202	Members' Agents Pooling Arrangement	29,460	30,638	28,687
7203	Members' Agents Pooling Arrangement	5,626	4,889	4,539
7208	Members' Agents Pooling Arrangement			5,000,000
Total		385,987	331,700	5,411,002

For the 2006 and 2007 years of account, the participation is through Nameco (No 365) Limited.

12. Group owned net assets

The Group balance sheet includes the following assets and liabilities held by the syndicates on which the Group participates. These assets are subject to trust deeds for the benefit of the relevant syndicates' insurance creditors. The table below shows the split of the Group balance sheet between group and syndicate assets and liabilities.

	30 June 2008			31 December 2007		
	Group £'000	Syndicate £'000	Total £'000	Group £'000	Syndicate £'000	Total £'000
Assets						
Intangible assets	1,052	-	1,052	981	-	981
Financial investments	2,337	1,876	4,213	2,486	-	2,486
Reinsurance share of insurance liabilities						
- Reinsurers' share of outstanding claims	-	416	416	-	-	-
- Reinsurers' share of unearned premiums	-	184	184	-	-	-
Other receivables, including insurance receivables	77	1,201	1,278	112	-	112
Prepayments and accrued income	33	270	303	-	-	-
Cash and cash equivalents	3,750	287	4,037	3,552	-	3,552
Total assets	7,249	4,234	11,483	7,131	-	7,131
Liabilities						
Insurance liabilities						
- Claims outstanding	-	2,272	2,272	-	-	-
- Unearned premiums	-	1,124	1,124	-	-	-
Other payables, including insurance payables	57	741	798	40	-	40
Accruals and deferred income	21	9	30	-	-	-
Current income tax liabilities	72	-	72	27	-	27
Deferred income tax liabilities	15	-	15	-	-	-
Total liabilities	165	4,146	4,311	67	-	67
Shareholders' equity						
Share capital	741	-	741	741	-	741
Share premium	6,261	-	6,261	6,261	-	6,261
Retained earnings	82	88	170	62	-	62
Total shareholders' equity	7,084	88	7,172	7,064	-	7,064
Total liabilities and shareholders' equity	7,249	4,234	11,483	7,131	-	7,131

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