

PEMBROKE MANAGING AGENCY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

(Registered Number: 5832065)

(Registered office: 2nd Floor South, 3 Minster Court, Mincing Lane, London EC3R
7DD)

PEMBROKE MANAGING AGENCY LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 December 2008.

Principal activity

The principal activity of the Company is that of a Lloyd's managing agent. From 28th February 2007 it took over the management of the 2007 year of account of Syndicate 4000 at Lloyd's. In June 2007 the company assumed the management of the 2006 and prior years of account of Syndicate 4000. From 9th September 2008, the company was acquired by Ironshore Inc., a Cayman Island company, from Chaucer Syndicates Limited. From 1 January 2009 the Company will manage the 2009 and subsequent years only with Chaucer Syndicates Limited retaining the management of the 2008 and prior years of account.

Review of the business

The managed capacity as at 31 st December 2008 was as follows:	<u>2008</u>	<u>2007</u>
	£m	£m
Pembroke Syndicate 4000	<u>73.0</u>	<u>73.0</u>

Syndicate 4000's underwriting capacity for 2008 was provided by Chaucer Syndicates Limited (via Chaucer Corporate Capital No.3 Limited). For the 2009 the capacity will be provided by Ironshore Corporate Capital Limited.

Company Key Performance Indicators

	<u>2008</u>	<u>2007</u>
	£m	£m
Turnover	5.9	3.9
Administrative expenses	(4.9)	(2.7)
Tax charge	(0.3)	(0.4)
Profit for the year	0.8	0.9
Average Number of Staff	23	23

The key transactions that affected the results during 2008 are summarised below:

The Company receives a managing agency fee of 2.25% of capacity from Syndicate 4000. The capacity and fee percentage for 2009 will change to £95m and 1% respectively.

The Company incurs most of Syndicate 4000's operational expenses and recharges these to the Syndicate. The company records this recharge as income.

The recharges to the syndicate were £4.3m (2007 £2.3m). Total administrative expenses were £4.9m (2007 £2.7m), which are explained below.

- o Salaries amount to £2.1m (2007 £1.4m).
- o Other expenses £2.8m (2007 £1.3m)
- o There was no profit related remuneration paid to staff and senior members of the management team.

PEMBROKE MANAGING AGENCY LIMITED

REPORT OF THE DIRECTORS (continued)

Results and Dividends

The profit after taxation for the financial year attributable to shareholders was £804,974 (2007 £860,000).

Dividends totalling £907,000 were paid to shareholders in 2008 (2007 £nil).

Directors and their interests

The directors, as set out below, held office throughout the year ended 31 December 2008, unless otherwise stated. No director had any interest in the voting share capital of the Company at any time during the year.

T.J. Hayday (resigned 24th February 2009)
R.A. Stuchbery (resigned 31 December 2008)
C.D. Brown
K.D. Curtis (resigned 31 December 2008)
G.C. Butterworth (resigned 31 December 2008)
T.A.B.H. Glover
S.J. Helson (resigned 31 December 2008)
M.H. Wheeler
T.A. Clegg (resigned 26 August 2008)
M.C. Butterworth
R.I. Harris (resigned 14 February 2008)
J.A.S. Wash (appointed 30 September 2008)
G.E. Barnes (appointed 30 September 2008)
R.J. Wallace (appointed 30 September 2008)
A. Kaufman (appointed 30 September 2008)

The Company's ultimate parent is Ironshore Inc. The interests in, and options to acquire, ordinary shares of Ironshore Inc, of those directors who were also directors of the ultimate parent company are disclosed in the financial statements of that company.

Principal Risks and Uncertainties

The Company manages Syndicate 4000 in return for an agency fee and profit commission out of which it must meet retained expenses. The Company must maintain certain regulatory solvency surpluses. The Company monitors its financial position by way of quarterly management accounts and weekly cash flow reports and action would be taken to maintain the regulatory solvency position where appropriate. The Company outsources a number of functions to Chaucer Syndicates Limited ("Chaucer"), including IT, finance and accounting, actuarial and risk management. A monthly meeting takes place analysing Chaucer's performance against agreed standards set out in the contract for outsourced services. The outcome of these reviews is reported to the Company's Board.

Liquidity risk

Most of the risk applicable to the company relates to syndicate 4000.

Employment of disabled persons

Every possible consideration is given to applications for employment from disabled persons having regard to their particular aptitudes and abilities. The Company would continue the employment wherever possible of any person who became disabled during their employment. Opportunities for training, career development and promotion do not operate to the detriment of disabled employees. The Company is an equal opportunities employer.

PEMBROKE MANAGING AGENCY LIMITED

REPORT OF THE DIRECTORS (continued)

Future Development

The Company is now a part of the Ironshore Group and continues to manage Lloyd's Syndicate 4000 for the 2009 and subsequent years of account.

Statement of disclosure of information to Auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information being information needed by the auditor in connection with preparing it's report, of which the auditor is unaware. Having made enquiries of fellow Directors and the company's auditor, each Director has taken all the steps that he/she is obliged to take as Director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

Pursuant to s487 of the Companies Act 2006 Ernst and Young LLP will be treated as being reappointed annually.

Approved by the Board of Directors on 13th May 2009 and signed on its behalf by



Philip Hicks
Company Secretary

PEMBROKE MANAGING AGENCY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF PEMBROKE MANAGING AGENCY LIMITED

We have audited the Company's financial statements for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's member, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

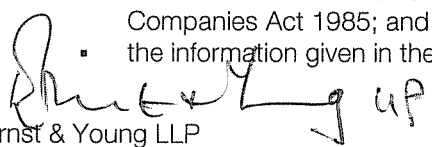
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.


Ernst & Young LLP
Registered auditor
London
13th May 2009

PEMBROKE MANAGING AGENCY LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008

	<u>Notes</u>	<u>2008</u> £'000	<u>2007</u> £'000
Turnover	2	5,899	3,919
Administrative expenses		<u>(4,856)</u>	<u>(2,739)</u>
Operating profit	3	1,043	1,180
Interest receivable and similar income	6	60	59
		<u> </u>	<u> </u>
Profit on ordinary activities before taxation		1,103	1,239
Tax charge on profit on ordinary activities	7	<u>(298)</u>	<u>(379)</u>
Profit for the year		<u>805</u>	<u>860</u>

All operations of the Company are continuing.

There were no unrecognised gains and losses relating to the current or preceding year other than those included in the Profit and Loss Account. Therefore, no Statement of Total Recognised Gains and Losses has been prepared.

The notes on pages 8 to 15 form part of the financial statements.

The financial statements were approved by the Board of Pembroke Managing Agency Limited on 13th May 2009.

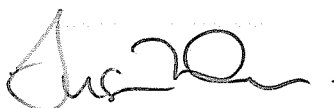
PEMBROKE MANAGING AGENCY LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2008

	<u>Notes</u>	<u>2008</u> £'000	<u>2007</u> £'000
Fixed assets			
Tangible assets	8	<u>38</u>	<u>48</u>
Current assets			
Debtors	9	535	356
Cash at bank and in hand		<u>1,043</u>	<u>1,306</u>
		1,578	1,662
Creditors			
Amounts falling due within one year	10	(458)	(450)
Net current assets		<u>1,120</u>	<u>1,212</u>
Total assets less current liabilities		<u>1,158</u>	<u>1,260</u>
Net assets		<u>1,158</u>	<u>1,260</u>
Capital and reserves			
Called up share capital		400	400
Accumulated Reserves	12	<u>758</u>	<u>860</u>
Total Capital and Reserves		<u>1,158</u>	<u>1,260</u>

The notes on pages 8 to 15 form part of the financial statements.

The financial statements were approved by the Board of Pembroke Managing Agency Limited on 13th May 2009 and were signed on its behalf by



J.A.S. Wash
Finance Director

PEMBROKE MANAGING AGENCY LIMITED

NOTES TO THE ACCOUNTS – YEAR ENDED 31 DECEMBER 2008

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with section 226 and schedule 4 of the Companies Act 1985. The financial statements also comply with applicable accounting standards (UK GAAP). The Company is exempt from the requirement of Financial Reporting Standard No.1 (Revised 1996) to prepare a cash flow statement as it is a 100% owned subsidiary of Ironshore Inc. and its cash flows are included within the consolidated cash flow of Ironshore Inc. whose financial statements are publicly available.

Turnover

Turnover comprises retained underwriting agency fees and recharged expenses to syndicate 4000 and other group companies. Underwriting agency fees are recognised in line with the provision of services to which they relate. Underwriting profit commissions expected to arise on closure of a Lloyd's year of account are earned on an annual basis to match the related underwriting profits.

Expenses

The Company's operations include the control and payment of expenses which relate, and are allocated, to the managed syndicate and other group companies. The Company's expenses including administrative expenses and interest charges, are accounted for on an accruals basis and are charged to the profit and loss account as incurred.

Interest Income

Interest income is mainly comprised of interest on cash deposits, which is charged to the profit and loss account.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable income for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates applicable at the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

PEMBROKE MANAGING AGENCY LIMITED

NOTES TO THE ACCOUNTS – YEAR ENDED 31 DECEMBER 2008

1. Accounting policies (continued)

Dividends

Dividends paid or declared during the year are recognised as a reduction from equity in that period. Dividends declared after the balance sheet date but before the financial statements are authorised are not recognised but disclosed in the notes to the financial statements.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment. Depreciation is calculated to write off the cost of tangible fixed assets on a straight line basis over their estimated useful lives as follows:-

Fixtures and fittings	-	20% per annum
Computer equipment	-	33% per annum

Employment benefits: pensions

The Company operates a group personal pension scheme.

2. Turnover

	<u>2008</u>	<u>2007</u>
	£'000	£'000
Underwriting agency fees	1,643	1,643
Recharged other expenses	<u>4,256</u>	<u>2,276</u>
	<u>5,899</u>	<u>3,919</u>

Turnover and profit before taxation arise in the United Kingdom mainly from managing underwriting business at Lloyd's.

Recharged expenses are expenses incurred by the agency on behalf of Syndicate 4000 and other group companies.

PEMBROKE MANAGING AGENCY LIMITED

NOTES TO THE ACCOUNTS – YEAR ENDED 31 DECEMBER 2008

3. Operating profit

Operating profit is stated after charging:

	<u>2008</u> £'000	<u>2007</u> £'000
Depreciation	13	16
Fees payable to the Company's auditors for the audit of the Company's financial statements	21	22
Fees payable to the Company's auditors for other services	-	-
Staff costs (see note 5)	2,998	1,846

During the year expenses totalling £4,256,547 (2007 £2,276,000) were incurred by the Company and recharged to Syndicate 4000.

4. Directors' emoluments and interests

	<u>2008</u> £'000	<u>2007</u> £'000
Emoluments	1,426	776
Pension contribution	70	35

The emoluments of the highest paid director before recharges to syndicate 4000 and other group companies were as follows:

	<u>2008</u> £'000	<u>2007</u> £'000
Emoluments	394	300
Pension contribution	21	13

The above director did not exercise any share options during the year.

5. Staff costs

- (i) The average monthly number of company employees, including executive directors, during the year was 23 (2007: 23), was comprised as follows:

	<u>2008</u> No.	<u>2007</u> No.
Management	5	4
Underwriting	12	14
Claims handling	2	2
Administration	4	3
	<u>23</u>	<u>23</u>

- (ii) The employment costs of these persons were as follows:

	<u>2008</u> £'000	<u>2007</u> £'000
Salaries	2,231	1,386
Social security	341	192
Management bonuses	158	197
Pension costs	204	71
	<u>2,934</u>	<u>1,846</u>

PEMBROKE MANAGING AGENCY LIMITED

NOTES TO THE ACCOUNTS – YEAR ENDED 31 DECEMBER 2008

6. Interest receivable and similar income

	<u>2008</u> £'000	<u>2007</u> £'000
Bank interest	<u>60</u>	<u>59</u>

7. Taxation

(a) Analysis of tax charge for year

	<u>2008</u> £'000	<u>2007</u> £'000
United kingdom corporation tax	292	379
Adjustments in respect of prior periods	<u>6</u>	<u>-</u>
Total current tax	298	379

(b) Factors affecting the tax charge for the current year

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK: 28.5% (2007 30%). The differences are explained below:

	<u>2008</u> £'000	<u>2007</u> £'000
Profit on ordinary activities before tax	1,103	1,239
Tax at 28.5% (2007:30%) thereon:	314	372
Effects of:		
Prior Year Adjustment	6	-
Disallowable expenses	11	7
Group Relief	<u>(33)</u>	<u>-</u>
Current tax charge for the year (Note 7 (a))	<u>298</u>	<u>379</u>

PEMBROKE MANAGING AGENCY LIMITED

NOTES TO THE ACCOUNTS – YEAR ENDED 31 DECEMBER 2008

8. Tangible fixed assets

	<u>Fixtures and fittings</u> £'000	<u>Computer equipment</u> £'000	<u>Total</u> £'000
Cost:			
At 1 January 2008	33	31	64
Additions	-	3	3
	<hr/>	<hr/>	<hr/>
At 31 December 2008	33	34	67
Accumulated depreciation:			
At 1 January 2008	6	10	16
Charge	5	8	13
	<hr/>	<hr/>	<hr/>
At 31 December 2008	11	18	29
Net book value:			
At 31 December 2008	<u>22</u>	<u>16</u>	<u>38</u>
At 31 December 2007	<u>27</u>	<u>21</u>	<u>48</u>

9. Debtors

	<u>2008</u> £'000	<u>2007</u> £'000
Due within one year:		
Amounts due from Group companies	96	87
Staff loans	20	12
Amounts due from Syndicate 4000	407	-
Other Debtors	12	7
Prepayments and accrued income	-	250
	<hr/>	<hr/>
	535	356

Staff loans comprise season ticket loans.

	<u>2008</u> No.	<u>2007</u> No.
Number of staff with loans outstanding at year end	12	11

PEMBROKE MANAGING AGENCY LIMITED

NOTES TO THE ACCOUNTS – YEAR ENDED 31 DECEMBER 2008

10. Creditors

Due within one year:

	<u>2008</u> £'000	<u>2007</u> £'000
Accruals and deferred income	152	38
Corporation tax	212	379
Other creditors	94	33
	<u>458</u>	<u>450</u>

11. Called up share capital

	<u>2008</u> £'000	<u>2007</u> £'000
Ordinary Shares of £1 each:		
Authorised	400	400
Called up, issued and fully paid	400	400

On 28th February 2007, the company increased its authorised share capital to 400,000 ordinary £1 shares and issued shares to that value to its immediate parent, Pembroke J.V. Limited. Consideration was wholly cash.

12. Reconciliation of movements in accumulated reserves

	<u>2008</u> £'000	<u>2007</u> £'000
Accumulated Reserves at beginning of year	860	-
Profit for the year	805	860
Dividends Paid	(907)	-
Accumulated Reserves at end of year	<u>758</u>	<u>860</u>

13. Ultimate parent company

The ultimate parent company and controlling party is Ironshore Inc. a company incorporated in the Cayman Islands and registered in Bermuda. The immediate parent company is Pembroke JV Limited, a company registered in England and Wales. The smallest higher group into which the Company is consolidated is Ironshore Inc. Copies of these consolidated statements may be obtained from the registered office at Suite No. 608, 12 Church Street, Hamilton. HM11, Bermuda.

PEMBROKE MANAGING AGENCY LIMITED

NOTES TO THE ACCOUNTS – YEAR ENDED 31 DECEMBER 2008

14. Related Party Transactions

As allowed under Financial Reporting Standard No.8, the company has not disclosed related party transactions with group undertakings on the basis that the company is a subsidiary undertaking with 100% of voting rights controlled within a group which produces publicly available consolidated financial statements in which the company is included.