

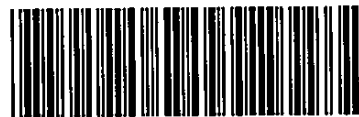
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LDG RE (LONDON) LIMITED

FINANCIAL STATEMENTS

Year ended 31 December 2012

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COMPANIES HOUSE

40 Lime Street
London EC3M 5BS

LDG RE (LONDON) LIMITED
COMPANY INFORMATION

DIRECTORS

B T Irick
R D Rinicella

COMPANY SECRETARY

R L Hughes

REGISTERED NUMBER

03525586

REGISTERED OFFICE

40 Lime Street
London EC3M 5BS

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

LDG RE (LONDON) LIMITED

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LDG RE (LONDON) LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2012

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were
B T Irick
R D Rinicella

Principal activity

Up to 2001 the Company acted as provider of underwriting services to another group company, Houston Casualty Company (London Branch), for which it received commission income. In 2007 responsibility for collection and settlement of the outstanding insurance balances was taken over by Houston Casualty Company (London Branch). Since that date the Company has been in run-off but retains its entitlement to commissions arising from adjustment premiums on the business it transacted up to 2001.

Business review

Financial risk management

The directors have assessed the risks to which the Company is exposed and consider the following as the material risks

- **Currency risk**
The Company is exposed to currency risk in respect of assets and liabilities denominated in currencies other than Sterling.
The risk is controlled by matching assets with liabilities in the relevant currency.

Results and dividends

The Company made a profit for the financial year of \$57,709 (2011: \$704 loss), as stated on page 6. Shareholder's funds as at 31 December 2012 totalled \$872,381 (2011: \$814,672).

No dividends were paid in the year and the directors do not recommend the payment of a final dividend (2011: \$nil).

Key performance indicators

The Company meets the small sized company requirements and therefore does not set key performance indicators.

Future outlook

The Company is expected to continue to receive commission income over the next few years.

Principal risks and uncertainties

The directors set the Company's risk appetite and oversee the effective operation of the risk management framework.

Charitable and political donations

The UK group makes its charitable donations centrally; consequently, the Company made no charitable donations in 2012 (2011: \$nil).

No political donations were made in 2012 (2011: \$nil).

LDG RE (LONDON) LIMITED
DIRECTORS' REPORT (CONT'D)

Annual general meeting

The Company has passed an elective resolution dispensing with the requirement to hold an Annual General Meeting

Independent auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and the directors have approved their reappointment

Statement of disclosure of information to auditors

Each of the persons who is a director at the date of this report confirms that

- so far as each of them is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31 December 2012 of which the auditors are unaware, and
- the director has taken all steps that he/she ought to have taken in his/her duty as a director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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

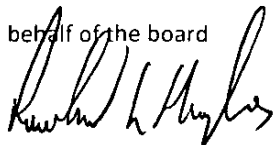
- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

Post balance sheet events

There have been no significant post balance sheet events that are required to be disclosed.

On behalf of the board



R L Hughes
Company Secretary
40 Lime Street
London EC3M 5BS

30 July 2013



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LDG RE (LONDON) LIMITED

We have audited the financial statements of LDG Re (London) Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Alex Bertolotti (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside, London, SE1 2RT

2 August 2013

*PricewaterhouseCoopers LLP 7 More London Riverside, London SE1 2RT
T +44 (0) 20 7583 5000, F +44 (0) 20 7212 4652, www.pwc.co.uk*

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LDG RE (LONDON) LIMITED
PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2012

	Notes	2012 \$	2011 \$
Revenue			
Turnover		58,401	-
Total revenue		<u>58,401</u>	<u>-</u>
Expenses			
Loss on foreign exchange		(692)	(704)
Profit/(Loss) on ordinary activities before taxation	1	<u>57,709</u>	<u>(704)</u>
Tax on profit/(loss) on ordinary activities	4	-	-
Profit/(Loss) for the financial year		<u>57,709</u>	<u>(704)</u>

The Company has no recognised gains and losses other than the profit/(loss) for the financial years
All items in the profit and loss account relate to continuing operations

There are no material differences between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for the financial years stated above and their historical cost equivalents

LDG RE (LONDON) LIMITED
BALANCE SHEET

As at 31 December 2012

	Notes	2012 \$	2011 \$
Current assets			
Debtors	5	872,431	814,728
Creditors	6	(50)	(56)
		<hr/>	<hr/>
Net current assets		872,381	814,672
		<hr/>	<hr/>
Net assets		872,381	814,672
		<hr/>	<hr/>
Share capital and reserves			
Called up share capital	7	1,146,018	1,146,018
Profit and loss account	8	(273,637)	(331,346)
		<hr/>	<hr/>
Total shareholder's funds		872,381	814,672
		<hr/>	<hr/>

The financial statements on pages 6 to 10 were approved by the board of directors on 30 July 2013 and were signed on its behalf by



B T Irick
 Director

LDG RE (LONDON) LIMITED

ACCOUNTING POLICIES

Basis of presentation

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom

Cash flow statement and related party disclosures

As a wholly owned subsidiary, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 (revised 1996). The Company is also exempt under the terms of FRS8 from disclosing related party transactions with entities that are part of the HCC Insurance Holdings, Inc group or investees of the HCC Insurance Holdings, Inc group

Comparatives

Where necessary, comparative amounts have been adjusted to conform to changes in presentation in the current year

Basis of accounting

Functional currency

The Company's income and certain expenses are paid in US Dollars. Additionally the Company's ultimate parent is based in the USA and all group reporting is in US Dollars. In the opinion of the directors, the US Dollar is the currency of the primary economic environment in which the group operates, accordingly the accounts are prepared using the US Dollar as the functional currency

Exchange rate

The Company records transactions in both original currency and functional currency at the rate of exchange at the date of the transaction. Monetary assets and liabilities in foreign currencies are revalued at the rates ruling at the balance sheet date which for £ Sterling was \$1.6168 (2011: \$1.5456). Gains or losses arising from the revaluation of foreign currencies into the functional currency, together with the settlement of foreign currency transactions, are included in the profit and loss account

Turnover

Turnover represents commission income from when the Company acted as provider of underwriting services to another group company. Commission income on adjustment premiums is accounted for when notified

Taxation

Corporation tax is provided at the current rate of taxation on the result for the year as adjusted for items of income and expenditure which are disallowed for taxation purposes

LDG RE (LONDON) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1 Profit / (Loss) on ordinary activities before taxation

The Company's 2012 audit fee of \$6,035 (2011 \$7,604) was incurred by a fellow group company, no recharge was made to the Company

2 Directors' emoluments

All directors are remunerated by HCC Service Company Inc (UK Branch), a group service company. No recharge of their emoluments was made to the Company in respect of their services to the Company (2011 \$nil)

3 Staff costs

All staff are employed by HCC Service Company Inc (UK Branch). The Company's staff costs were incurred by HCC International Insurance Company PLC, no recharge was made to the Company (2011 \$nil)

4 Tax on Profit / (Loss) on ordinary activities

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below

	2012	2011
	\$	\$
Profit on ordinary activities before taxation	57,709	(704)
Tax on profit on ordinary activities at standard rate of 24.5% (2011 26.5%)	14,139	(187)
Tax losses brought forward	(14,139)	-
Losses available for group relief	-	187
Current tax charge for the year	-	-

There is an unrecognised deferred tax asset of \$94,702 (2011 \$117,364) relating to accumulated losses carried forward. The deferred tax asset has not been recognised because there is no certainty that there will be sufficient profits in the future to utilise it.

5 Debtors

	2012	2011
	\$	\$
Amounts due from group undertakings	872,431	814,728

All amounts fall due within one year

6 Creditors

	2012	2011
	\$	\$
Corporation tax	-	6
Amounts due to group undertakings	50	50
	50	56

All amounts fall due within one year

LDG RE (LONDON) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7 Share capital

	2012	2011
	£	£
Authorised		
1,000,000 ordinary shares at £1 each	1,000,000	1,000,000
Issued and fully paid		
800,000 ordinary shares at £1 each	800,000	800,000
Translated to US Dollars		
	\$	\$
Issued and fully paid		
800,000 Ordinary shares at £1 each	1,146,018	1,146,018

The issued and fully paid share capital was converted to Dollars at the rate of 1.4325 at the date of issue

8 Reconciliation of movement in shareholder's funds

	Share capital	Profit and loss account	Total Shareholder's funds
	\$	\$	\$
At 1 January 2011	1,146,018	(330,642)	815,376
Loss for the year		(704)	(704)
At 31 December 2011	1,146,018	(331,346)	814,672
At 1 January 2012	1,146,018	(331,346)	814,672
Profit for the year		57,709	57,709
At 31 December 2012	1,146,018	(273,637)	872,381

9 Capital commitments

There was no capital expenditure either authorised by the directors and not contracted for, or contracted for but not provided, in the accounts

10 Ultimate parent company

HCC Insurance Holdings, Inc (HCCI), incorporated in the USA and listed on the New York Stock Exchange, is regarded by the directors as the Company's ultimate parent company

The largest and smallest group in which the results of the Company are consolidated is that of which HCCI is the parent company. Copies of the consolidated financial statements of HCCI can be obtained from its principal office at 13403 Northwest Freeway, Houston, Texas 77040-6094, USA, or from its website at hcc.com/InvestorRelations/Financials/FinancialReports

Houston Casualty Company, incorporated in the USA, is the immediate parent company