

Company registration number (England and Wales) 03829477

## KILLYGOWAN LIMITED

*DIRECTORS' REPORT AND FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED 31 DECEMBER 2012*

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# KILLYGOWAN LIMITED

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# KILLYGOWAN LIMITED

## COMPANY INFORMATION

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### COMPANY PERSONNEL

**Directors**                      The Duke of Abercorn  
                                        Nomina Plc  
                                        Marquess of Hamilton

**Company Secretary**              Hampden Legal Plc

### COMPANY ADDRESSES

**Registered office**                      c/o Nomina Plc  
                                        85 Gracechurch Street  
                                        London  
                                        EC3V 0AA

**Member's agent**                      Hampden Private Capital Limited  
                                        85 Gracechurch Street  
                                        London  
                                        EC3V 0AA

**Auditors**                                  Humphrey & Co  
                                        7 - 9 The Avenue  
                                        Eastbourne  
                                        East Sussex  
                                        BN21 3YA

**Solicitors**                                  Morton Fraser  
                                        30-31 Queen Street  
                                        Edinburgh  
                                        EH2 1JX

# KILLYGOWAN LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2012

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The directors have pleasure in presenting their report together with the financial statements for the year ended 31 December 2012

#### Results and dividends

The profit for the year after taxation was £141,612 (2011 loss £58,860) The directors do not recommend the payment of a final dividend

#### Principal activities and review of the business

The principal activity of the Company in the year under review was that of a corporate underwriting member of Lloyd's The Company commenced underwriting with effect from 01 January 2000

The result for the year is in respect of the 2012 annual accounting year, which consists of movements in the 2010, 2011 and 2012 years of account as well as any 2009 and prior run-off years Gross premiums written increased from £1,035,186 to £1,173,757 compared to the previous year and the overall balance on the technical account increased from £(9,607) to £135,037 as a result of the level of claims experienced

The company has continued to underwrite on the 2013 underwriting account where the market conditions are considered favourable for a profitable outcome subject to the level of claims experienced

The key business risks and uncertainties affecting the company are considered to relate to insurance risk, investment and currency risk and regulatory risk

#### Financial risk management objectives and policies

The Company is principally exposed to financial risk through its participation on Lloyd's Syndicates It has delegated sole management and control of its underwriting through each Syndicate to the Managing Agent of that Syndicate and it looks to the Managing Agents to implement appropriate policies, procedures and internal controls to manage each Syndicate's exposures to insurance risk, credit risk, market risk, liquidity risk and operational risk The Company is also directly exposed to these risks, but they are not considered material for the assessment of the assets, liabilities, financial position and profit or loss of the Company

Hedge accounting is not used by the Company

#### Key Performance Indicators

The directors monitor the performance of the Company by reference to the following key performance indicators

	2012	2011
Capacity (youngest underwriting year) (£)	1,296,346	1,176,816
Gross premium written as a % of capacity	90.5 %	88.0 %
Underwriting profit of latest closed year as a % of capacity	2.9 %	17.0 %
Run-off years of account movement (£)	2,534	(23,409)
Combined ratio	89.3 %	104.0 %

The combined ratio is the ratio of net claims incurred, commissions and expenses to net premiums earned

# KILLYGOWAN LIMITED

## DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2012

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### Directors

The directors who held office at any time during the year are listed below

The Duke of Abercorn  
Nomina Plc  
Marquess of Hamilton

### 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 elected to prepare 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 judgements and accounting 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 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.

The directors 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.

### Auditors

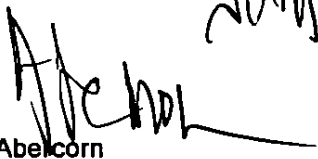
The auditors, Humphrey & Co, are deemed to be reappointed under Section 487(2) of the Companies Act 2006.

### Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board on

2013 and signed on its behalf by

  
The Duke of Abercorn  
Director

# KILLYGOWAN LIMITED

## INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF KILLYGOWAN LIMITED

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We have audited the financial statements of Killygowan Limited for the year ended 31 December 2012 on pages 5 to 22. 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).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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.

### 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 Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent 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.

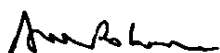
### Opinion on other matter prescribed by the Companies Act 2006

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 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.



Andrew Robinson (Senior Statutory Auditor)  
for and on behalf of Humphrey & Co  
Chartered Accountants  
Statutory Auditor

Humphrey & Co  
7-9 The Avenue  
Eastbourne  
East Sussex  
BN21 3YA

Date 31 July 2013

**KILLYGOWAN LIMITED****PROFIT AND LOSS ACCOUNT - TECHNICAL ACCOUNT (GENERAL BUSINESS)  
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	2012 £	2011 £
Gross premiums written	2	1,173,757	1,035,186
Outward reinsurance premiums		(203,297)	(191,796)
<b>Net premiums written</b>		<b>970,460</b>	<b>843,390</b>
<b>Change in the provision for unearned premiums</b>			
Gross provision		(63,048)	21,097
Reinsurers' share		4,603	(1,919)
<b>Net change in the provision for unearned premiums</b>		<b>(58,445)</b>	<b>19,178</b>
<b>Earned premiums net of reinsurance</b>		<b>912,015</b>	<b>862,568</b>
<b>Allocated investment income</b>	4	<b>39,641</b>	<b>26,575</b>
<b>Claims paid</b>			
Gross amount		(576,122)	(614,901)
Reinsurers' share		120,689	108,948
<b>Net claims paid</b>		<b>(455,433)</b>	<b>(505,953)</b>
<b>Change in provision for claims</b>			
Gross amount		2,933	(155,501)
Reinsurers' share		(20,595)	68,443
<b>Net change in provision for claims</b>		<b>(17,662)</b>	<b>(87,058)</b>
<b>Claims incurred net of reinsurance</b>		<b>(473,095)</b>	<b>(593,011)</b>
<b>Net operating expenses</b>	5	<b>(341,548)</b>	<b>(303,981)</b>
<b>Investment expenses and charges</b>		<b>(1,976)</b>	<b>(1,758)</b>
<b>Balance on technical account for general business</b>		<b>135,037</b>	<b>(9,607)</b>

# KILLYGOWAN LIMITED

## PROFIT AND LOSS ACCOUNT - NON TECHNICAL ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 £	2011 £
Balance on the general business technical account		135,037	(9,607)
Investment income	6	55,123	(34,014)
Other income	7	2,780	-
Other charges		(15,326)	(34,994)
Profit/(Loss) on ordinary activities before taxation	8	177,614	(78,615)
Tax on profit/(loss) on ordinary activities	17	(36,002)	19,755
Profit/(Loss) for the financial year		141,612	(58,860)

The company has no recognised gains or losses other than the profit/(loss) for the financial years stated above

All amounts above relate to continuing operations

**KILLYGOWAN LIMITED****BALANCE SHEET****AS AT 31 DECEMBER 2012**

<b>ASSETS</b>	<b>Note</b>	<b>Syndicate Assets £</b>	<b>Corporate £</b>	<b>2012 Total £</b>	<b>2011 Total £</b>
<b>Intangible assets</b>					
Syndicate participation rights	9	-	371	371	743
<b>Investments</b>					
Financial investments	10	1,215,293	627,951	1,843,244	1,868,364
Deposits with ceding undertakings		378	-	378	546
<b>Total investments</b>		<b>1,215,671</b>	<b>627,951</b>	<b>1,843,622</b>	<b>1,868,910</b>
<b>Reinsurers' share of technical provisions</b>					
Provision for unearned premiums		54,837	-	54,837	51,353
Claims outstanding		227,237	-	227,237	259,439
Other technical provisions		153,133	-	153,133	154,030
<b>Total reinsurers' share of technical provisions</b>		<b>435,207</b>	<b>-</b>	<b>435,207</b>	<b>464,822</b>
<b>Debtors</b>					
Arising out of direct insurance operations	11				
Policyholders		1,634	-	1,634	1,924
Intermediaries		233,873	-	233,873	211,426
Arising out of reinsurance operations	11	27,902	-	27,902	32,765
Other debtors	12	470,328	31,791	502,119	493,090
<b>Total debtors</b>		<b>733,737</b>	<b>31,791</b>	<b>765,528</b>	<b>739,205</b>
<b>Other assets</b>					
Cash at bank	13	200,631	163,378	364,009	253,557
Other		1,473	-	1,473	1,450
<b>Total other assets</b>		<b>202,104</b>	<b>163,378</b>	<b>365,482</b>	<b>255,007</b>
<b>Prepayments and accrued income</b>					
Accrued interest		2,867	-	2,867	4,069
Deferred acquisition costs		110,456	-	110,456	93,166
Other prepayments and accrued income		4,943	-	4,943	7,895
<b>Total prepayments and accrued income</b>		<b>118,266</b>	<b>-</b>	<b>118,266</b>	<b>105,130</b>
<b>Total assets</b>		<b>2,704,985</b>	<b>823,491</b>	<b>3,528,476</b>	<b>3,433,817</b>

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**KILLYGOWAN LIMITED****BALANCE SHEET (continued)  
AS AT 31 DECEMBER 2012**

	Note	Syndicate Liabilities £	Corporate £	2012 Total £	2011 Total £
<b>LIABILITIES</b>					
<b>Capital and reserves</b>					
Called-up share capital	14	-	220	220	220
Share premium account	15	-	-	-	-
Profit and loss account	15	-	371,484	371,484	229,872
<b>Shareholder's funds attributable to equity interests</b>	16	-	371,704	371,704	230,092
<b>Technical provisions</b>					
Provision for unearned premiums		466,463	-	466,463	412,433
Claims outstanding - gross amount		1,920,328	-	1,920,328	1,999,213
<b>Total technical provisions</b>		2,386,791	-	2,386,791	2,411,646
<b>Provisions for other risks and charges</b>					
Provision for taxation	17	-	26,329	26,329	27,600
<b>Deposits received from reinsurers</b>		-	-	-	-
<b>Creditors</b>					
Arising out of direct insurance operations		35,975	-	35,975	42,174
Arising out of reinsurance operations		141,612	-	141,612	133,844
Amounts due to credit institutions		-	-	-	-
Other creditors	18	124,734	422,632	547,366	557,547
<b>Total creditors</b>		302,321	422,632	724,953	733,565
<b>Accruals and deferred income</b>					
Other accruals and deferred income		15,873	2,826	18,699	30,914
<b>Total liabilities</b>		2,704,985	823,491	3,528,476	3,433,817

Approved by the Board on

2013 and signed on its behalf by



The Duke of Abercorn  
Director

Company Registration No 03829477

**KILLYGOWAN LIMITED****CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	2012 £	2011 £
Net cash inflow from operating activities	19	107,135	71,711
Returns on investments and servicing of finance			
Interest received		1,258	377
Dividends received		4,718	6,245
Net cash inflow from returns on investments and servicing of finance		5,976	6,622
Taxation			
UK corporation tax refunded/paid		152	(41,488)
Foreign tax paid		(1,525)	(1,510)
Net cash outflow from taxation		(1,373)	(42,998)
Capital expenditure and financial investment			
Purchase of syndicate participation rights		-	-
Proceeds from sale of syndicate participation rights		2,780	-
Purchase of investments		(135,850)	(102,955)
Proceeds from sale of investments		131,614	47,234
Net cash outflow from capital expenditure and financial investment		(1,456)	(55,721)
Net cash inflow/(outflow) before financing		110,282	(20,386)
Financing			
Funds lent to/(withdrawn from) the company by the company's shareholders		1,832	(31,740)
Net cash inflow/(outflow) from financing		1,832	(31,740)
Increase/(Decrease) in cash		112,114	(52,126)
Net funds at 1 January		51,264	103,390
Increase/(Decrease) in cash in the year		112,114	(52,126)
Net funds at 31 December		163,378	51,264

The Company has no control over the disposition of assets and liabilities at Lloyd's. Consequently, the Cash Flow Statement is prepared reflecting only the movement in corporate funds, which includes transfers to and from the Syndicates at Lloyd's

# KILLYGOWAN LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2012

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### 1 Accounting policies

#### 1.1 Basis of preparation

The Financial Statements have been prepared in accordance with the Companies Act 2006 and Regulation 6 of Schedule 3 to the Large and Medium Sized Companies And Groups (Accounts and Reports) Regulations 2008 and the recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 2005, as amended in December 2006, except that exchange differences arising on syndicate assets and liabilities are dealt with in the technical account as all of these differences arise from technical account transactions. They are prepared under the historical cost basis of accounting modified to include the revaluation of investments, and comply with applicable accounting standards.

#### Basis of accounting

The technical account has been prepared on an annual basis of accounting, whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums net of re-insurance. Amounts reported in the technical account relate to movements in the period in respect of all relevant years of account of the Syndicates on which the company participates.

Accounting information in respect of the Syndicate participations has been provided by the Syndicate managing agents through an information exchange facility operated by Lloyd's and has been reported on by the Syndicate auditors.

Assets and liabilities arising as a result of the underwriting activities are mainly controlled by the Syndicates' managing agents and are shown separately on the Balance Sheet as "Syndicate Assets" and "Syndicate Liabilities". The assets are held subject to trust deeds for the benefit of the Syndicates' insurance creditors.

In continuing to apply the going concern basis to this Company's Financial Statements the following factors have been taken into account: the likely timing of any underwriting and non-underwriting cash flows, any Funds at Lloyd's supporting the Company's underwriting and not reflected in the Company's Balance Sheet and the continued support of the Directors and Shareholders including the potential deferral of balances due to them.

#### General business

##### I Premiums

Gross premiums are accounted for in the period in which the risk commences, together with adjustments to premiums written in previous accounting periods. Future premiums relating to risks commencing in the period are based upon estimates made by the Syndicates' management. Other adjustments are accounted for as arising.

##### II Unearned premiums

Written premium is earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis having regard where appropriate, to the incidence of risk. The specific basis adopted by each Syndicate is determined by the relevant managing agent.

##### III Deferred acquisition costs

Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned.

##### IV Reinsurance premiums

Reinsurance premium costs are allocated by the Managing Agent of each Syndicate to reflect the protection arranged in respect of the business written and earned.

##### V Claims

Provision is made for the estimated cost of claims outstanding at the end of the year, including those incurred but not reported at that date, and for the related cost of settlement. Claims incurred comprise amounts paid or provided in respect of claims occurring during the current year, together with the amount by which settlement or reassessment of claims from previous years differs from the provision at the beginning of the year.

# KILLYGOWAN LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2012

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### v Claims (continued)

The claims provision determined by the managing agent will have been based on information that was currently available at the time. 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 and will be reflected in the financial statements for the period in which the adjustment is made.

### vi Closed years of account

At the end of the third year, the underwriting account is normally closed by reinsurance into the following year of account. The amount of the reinsurance to close premium payable is determined by the managing agent, generally by estimating the cost of claims notified but not settled at 31 December, together with the estimated cost of claims incurred but not reported at that date, and an estimate of future claims handling costs.

Any subsequent variation in the ultimate liabilities of the closed year of account is borne by the underwriting year into which it is reinsured.

The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring Syndicate was unable to meet its obligations, and the other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle outstanding claims.

The Directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle the liabilities outstanding at the closure of an underwriting account. The company has included its share of the reinsurance to close premiums payable as technical provisions at the end of the current period, and no further provision is made for any potential variation in the ultimate liability of that year of account.

### vii Run-off years of account

Where an underwriting year of account is not closed at the end of the third year (a "run-off" year of account) a provision is made for the estimated cost of all known and unknown outstanding liabilities of that year. The provision is determined initially by the managing agent on a similar basis to the reinsurance to close. However, any subsequent variation in the ultimate liabilities for that year remains with the corporate member participating therein. As a result any run-off year will continue to report movements in its results after the third year until such time as it secures a reinsurance to close.

### viii Investments and allocated investment income

In accordance with Lloyd's current accounting practice, investments are stated at market value, including accrued interest at the Balance Sheet date. Investment income is included in the General Business Technical Account reflecting that earned on the investment portfolio managed by the Syndicates. The allocated investment income therefore comprises income received and investment profits and losses arising in the calendar year including appreciation/depreciation and accrued interest consequent upon the revaluation of investments at 31 December. All gains and losses on investments are treated as realised at the Balance Sheet date.

### ix Basis of currency translation

Syndicates maintain separate funds in Sterling, United States dollars, Canadian dollars and Euros, and may also do so in certain other currencies. All transactions where separate currencies are maintained are translated into Sterling at the average rates of exchange for the year. Transactions during the year in other overseas currencies are expressed in Sterling at the rates ruling at the transaction date.

Assets and liabilities are translated into Sterling at the rates of exchange at the Balance Sheet date.

Differences arising on translation of foreign currency amounts in syndicates are included in the technical account.

# KILLYGOWAN LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2012

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### x Debtors/creditors arising from insurance/reinsurance operations

The amounts shown in the Balance Sheet include the totals of all the Syndicates outstanding debit and credit transactions. No account has been taken of any offsets which may be applicable in calculating the net amounts due between the Syndicates and each of their counterparty insureds, reinsurers or intermediaries as appropriate.

### xi Distribution of profits and collection of losses

Lloyd's operates a detailed set of regulations regarding solvency and the distribution of profits and payment of losses between Syndicates and their members. Lloyd's continues to require membership of Syndicates to be on an underwriting year of account basis and profits and losses belong to members according to their membership of a year of account. Normally profits and losses are transferred between the Syndicate and members after results for a year of account are finalised after 36 months. This period may be extended if a year of account goes into run-off. The Syndicate may make earlier on account distributions or cash calls according to the cash flow of a particular year of account and subject to Lloyd's requirements.

## 1 2 Taxation

The company is taxed on its results including its share of underwriting results declared by the syndicates and these are deemed to accrue over the calendar year in which they are declared. The syndicate results included in these financial statements are only declared for tax purposes in the calendar year following the normal closure of the year of account. No provision is made for corporation tax in relation to open years of account. However, full provision is made for deferred tax on underwriting results not subject to current corporation tax.

HM Revenue & Customs agrees the taxable results of the syndicates at a syndicate level on the basis of computations submitted by the managing agent. At the date of the approval of these financial statements the syndicate taxable results of years of account closed at this and previous year ends may not be fully agreed with HM Revenue & Customs. Any adjustments that may be necessary to the tax provisions established by the company, as a result of HM Revenue & Customs agreement of syndicate results, will be reflected in the financial statements of subsequent periods.

## 1 3 Deferred Taxation

Deferred tax is provided in full on timing differences which 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. 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 have not been discounted.

## 1 4 Intangible assets

Costs incurred by the Company in the Corporation of Lloyd's auctions in order to acquire rights to participate on Syndicates' underwriting years are included within intangible assets and amortised over a 3 year period beginning with the respective year of Syndicate participation.

## 1 5 Investments

Investments held directly by the company, by trustees of the Premium Trust Fund, or as the Lloyd's Deposit, are stated at market value as at the Balance Sheet date.

## 1 6 Cash Flow Statement

The company has no control over the disposition of assets and liabilities at Lloyd's. Consequently, the Cash Flow Statement is prepared reflecting only the movement in corporate funds, which includes transfers to and from syndicates at Lloyd's.

# KILLYGOWAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

2 Class of business	Gross written premiums	Gross premiums earned	Gross claims incurred	Operating expenses	Reinsurance balance
	£	£	£	£	£
<b>2012</b>					
<b>Direct</b>					
Accident and health	38,916	35,501	(18,408)	(14,712)	(1,508)
Motor - third party liability	1,950	2,594	1,181	(971)	(910)
Motor - other classes	72,402	73,552	(54,210)	(25,874)	2,596
Marine, aviation and transport	105,943	111,521	(35,347)	(36,171)	(4,829)
Fire and other damage to property	236,833	227,346	(122,386)	(78,354)	(27,876)
Third party liability	215,287	211,531	(94,464)	(79,123)	(12,726)
Credit and suretyship	15,319	15,182	(5,218)	(4,949)	(1,345)
Other	6,522	5,801	(2,310)	(3,235)	(9)
<b>Total direct</b>	<b>693,172</b>	<b>683,028</b>	<b>(331,162)</b>	<b>(243,389)</b>	<b>(46,607)</b>
<b>Reinsurance business</b>					
Reinsurance balance	480,585	427,681	(242,027)	(98,159)	(51,993)
<b>Total</b>	<b>1,173,757</b>	<b>1,110,709</b>	<b>(573,189)</b>	<b>(341,548)</b>	<b>(98,600)</b>
<b>2011</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Direct</b>					
Accident and health	30,974	28,612	(18,767)	(11,624)	119
Motor - third party liability	3,522	7,651	(8,319)	(2,070)	1,367
Motor - other classes	76,339	91,604	(79,881)	(30,147)	10,968
Marine, aviation and transport	128,148	128,644	(52,570)	(38,260)	(8,666)
Fire and other damage to property	214,454	220,621	(122,936)	(73,819)	(24,436)
Third party liability	204,887	195,654	(103,995)	(73,819)	(8,375)
Credit and suretyship	18,613	16,567	(6,065)	(4,071)	(1,790)
Other	4,933	4,721	(1,873)	(3,137)	(151)
<b>Total direct</b>	<b>681,870</b>	<b>694,074</b>	<b>(394,406)</b>	<b>(236,947)</b>	<b>(30,964)</b>
<b>Reinsurance business</b>					
Reinsurance balance	353,316	362,209	(375,996)	(67,034)	14,640
<b>Total</b>	<b>1,035,186</b>	<b>1,056,283</b>	<b>(770,402)</b>	<b>(303,981)</b>	<b>(16,324)</b>

Any open year loss provisions, stop loss premiums and stop loss recoveries have been allocated across the classes of business by reference to the gross premiums written

# KILLYGOWAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2012

<b>3</b>	<b>Geographical analysis</b>	<b>2012</b>	<b>2011</b>
		<b>£</b>	<b>£</b>
	Direct gross premiums written in		
	United Kingdom	684,275	673,139
	Other EU member states	727	730
	The rest of the world	8,170	8,001
	<b>Total</b>	<b>693,172</b>	<b>681,870</b>
<b>4</b>	<b>Allocated investment income</b>	<b>2012</b>	<b>2011</b>
		<b>£</b>	<b>£</b>
	Investment income	42,123	30,263
	Realised loss on investments	(2,482)	(3,688)
	<b>Total</b>	<b>39,641</b>	<b>26,575</b>
<b>5</b>	<b>Net operating expenses</b>	<b>2012</b>	<b>2011</b>
		<b>£</b>	<b>£</b>
	Acquisition costs	231,989	215,990
	Administrative expenses	97,509	89,416
	Loss/(Profit) on exchange	12,050	(1,425)
	<b>Total</b>	<b>341,548</b>	<b>303,981</b>

# KILLYGOWAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2012

6	Investment income	2012 £	2011 £
	Income from other investments (including interest receivable)	5,976	6,622
	Realised gain/(loss) from other investments	5,281	(732)
	Unrealised gain/(loss) from other investments	43,866	(39,904)
	<b>Total</b>	<b>55,123</b>	<b>(34,014)</b>

7	Other income	2012 £	2011 £
	Profit on sale of syndicate participation rights	2,780	-
	Other	-	-
	<b>Total</b>	<b>2,780</b>	<b>-</b>

8	Profit/(Loss) on ordinary activities before taxation	2012 £	2011 £
	This is stated after charging		
	Auditor's remuneration - audit	665	665
	Auditor's remuneration - other	985	985
	Amortisation of syndicate capacity	372	2,818

The company has no employees

# KILLYGOWAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2012

9 Intangible assets	Syndicate Participation Rights £
<b>Cost</b>	
At 1 January 2012	58,613
Additions	-
Disposals	(275)
At 31 December 2012	58,338
<b>Amortisation</b>	
At 1 January 2012	57,870
Charge for the year	372
Impairment losses	-
Disposals	(275)
At 31 December 2012	57,967
<b>Net book value</b>	
At 31 December 2012	371
At 31 December 2011	743

10 Investments: Financial investments	Syndicate £	Corporate £	2012 Total £	2011 Total £
<b>At market value</b>				
Shares and other variable yield securities	150,142	579,874	730,016	692,945
Debt securities and other fixed income securities	1,012,616	48,077	1,060,693	1,125,610
Participation in investment pools	36,382	-	36,382	28,318
Loans guaranteed by mortgage	8,497	-	8,497	10,250
Other loans	6,363	-	6,363	7,877
Deposits with credit institutions	1,207	-	1,207	3,203
Other	86	-	86	161
<b>Total</b>	<b>1,215,293</b>	<b>627,951</b>	<b>1,843,244</b>	<b>1,868,364</b>

The corporate investments held include £627,951 (2011 £574,568) at market value in respect of Lloyd's deposits that are held in accordance with the constraints detailed in note 20

# KILLYGOWAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2012

### 10 Investments Financial investments (continued)

	Syndicate £	Corporate £	2012 Total £	2011 Total £
<i>At cost</i>				
Shares and other variable yield securities	148,794	504,003	652,797	669,938
Debt securities and other fixed income securities	1,011,644	43,067	1,054,711	1,131,401
Participation in investment pools	39,588	-	39,588	27,935
Loans guaranteed by mortgage	8,409	-	8,409	10,316
Other loans	6,361	-	6,361	7,828
Deposits with credit institutions	1,207	-	1,207	3,203
Other	57	-	57	134
<b>Total</b>	<b>1,216,060</b>	<b>547,070</b>	<b>1,763,130</b>	<b>1,850,755</b>

### 11 Debtors arising out of direct insurance and reinsurance operations

	Syndicate £	Corporate £	2012 Total £	2011 Total £
The following amounts are due after one year				
Direct insurance operations	18,888	-	18,888	1,049
Reinsurance operations	4,098	-	4,098	2,969
<b>Total</b>	<b>22,986</b>	<b>-</b>	<b>22,986</b>	<b>4,018</b>

### 12 Other debtors

	Syndicate £	Corporate £	2012 Total £	2011 Total £
Deferred tax	-	-	-	-
Other	470,328	31,791	502,119	493,090
<b>Total</b>	<b>470,328</b>	<b>31,791</b>	<b>502,119</b>	<b>493,090</b>

Corporate other debtors includes £Nil (2011 £Nil) due to the company after more than one year

Syndicate other debtors includes £135,417 (2011 £84,700) due to the company after more than one year

### 13 Cash at bank

	Syndicate £	Corporate £	2012 Total £	2011 Total £
Lloyd's deposit	64,256	140,896	205,152	107,333
Cash at bank and in hand	136,375	22,482	158,857	146,224
<b>Total</b>	<b>200,631</b>	<b>163,378</b>	<b>364,009</b>	<b>253,557</b>

Any Lloyd's deposit is held in accordance with the constraints detailed in note 20

# KILLYGOWAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2012

<b>14 Share capital</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
<i>Allotted, called up and fully paid</i>		
220 Ordinary shares of £1 00 each	220	220
<b>15 Statement of movements on reserves</b>	<b>Share premium account</b>	<b>Profit and loss account</b>
	<b>£</b>	<b>£</b>
At 1 January 2012	-	229,872
Profit during the year	-	141,612
At 31 December 2012	-	371,484
<b>16 Reconciliation of movements in shareholders' funds</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Retained profit/(loss) for the financial year	141,612	(58,860)
Proceeds from the issue of shares	-	-
Net addition to/(depletion in) shareholders' funds	141,612	(58,860)
Opening shareholders' funds	230,092	288,952
Closing shareholders' funds	371,704	230,092
<b>17 Taxation</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
<i>Analysis of charge in year</i>		
<i>Current tax</i>		
UK Corporation Tax on profits of the year	31,310	(4,438)
Adjustments in respect of prior years	4,438	-
Foreign tax	1,525	1,510
Total current tax	37,273	(2,928)

# KILLYGOWAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2012

17 Taxation (continued)	2012 £	2011 £
<i>Analysis of charge in year</i>		
<i>Deferred tax</i>		
Origination and reversal of timing differences	(1,271)	(14,712)
Changes in tax rates	-	(2,115)
Adjustment to the estimated recoverable amounts of deferred tax assets arising in prior years	-	-
Other items	-	-
<b>Total deferred tax</b>	<b>(1,271)</b>	<b>(16,827)</b>
 Tax on profit/(loss) on ordinary activities	 <b>36,002</b>	 <b>(19,755)</b>
 <i>Factors affecting tax charge for the year</i>		
The tax assessed for the year is higher (2011 - higher) than the standard rate of Corporation Tax in the UK of 20.00% (2011 - 20.00%). The differences are explained below		
	2012 £	2011 £
<b>Profit/(Loss) on ordinary activities before taxation</b>	<b>177,614</b>	<b>(78,615)</b>
 Profit/(Loss) on ordinary activities before taxation multiplied by the standard rate of Corporation Tax in the UK of 20.00% (2011 - 20.00%)	 <b>35,523</b>	 <b>(15,723)</b>
 <i>Effects of</i>		
Expenses not deductible for tax purposes	-	-
Timing differences arising from the taxation of the underwriting results	(2,234)	16,407
Timing differences arising from the taxation of syndicate participation movements	-	-
Tax losses carried forward	-	-
Adjustments to tax charge in respect of prior periods	4,438	-
Other adjustments	(454)	(3,612)
<b>Current tax charge for the year</b>	<b>37,273</b>	<b>(2,928)</b>

### *Factors that may affect future tax charges*

The company has trading losses of £Nil (2011 - £Nil) available for carry forward against future trading profits

# KILLYGOWAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2012

17 Taxation (continued)	2012 £	2011 £
<i>Provision for deferred tax</i>		
At 1 January 2012	27,600	-
(Credit)/Charge to the profit and loss account	(1,271)	27,600
Released or utilised in the year	-	-
At 31 December 2012	26,329	27,600

Full provision has been made for all timing differences apart from the recovery of taxation losses against future trading profits, which cannot be prudently anticipated at this time

The deferred tax asset not provided for in respect of Corporation Tax losses, and deferred tax losses not yet assessable to Corporation Tax, amounted to £Nil (2011 - £Nil)

18 Other creditors	Syndicate £	Corporate £	2012 £	2011 £
Other creditors	124,734	36,614	161,348	204,671
Social security costs	-	-	-	-
Corporation tax	-	31,310	31,310	-
Shareholders' loan account	-	354,708	354,708	352,876
	124,734	422,632	547,366	557,547

The above shareholders' loan has been included in the related party transactions note 22

19 Reconciliation of operating profit/(loss) before interest to net cash inflow from operating activities	2012 £	2011 £
Operating profit/(loss) before interest	122,491	(44,601)
Current year result not distributable in year	(135,037)	9,607
Prior year result distributable in year	176,010	94,465
(Profit)/Loss on sale of syndicate participation rights	(2,780)	-
(Decrease)/Increase in creditors	(67,176)	38,517
Decrease/(Increase) in debtors	13,255	(29,095)
Amortisation and impairment of syndicate participation rights	372	2,818
Net cash inflow from operating activities	107,135	71,711

# **KILLYGOWAN LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2012**

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### **20 Fund's at Lloyd's**

Cash balances of £140,896 (2011 £33,596) detailed in note 13 and investments of £627,951 (2011 £574,568) detailed in note 10 are held within the company's Lloyd's deposit

The Lloyd's deposit represents funds deposited with the Corporation of Lloyd's (Lloyd's) to support the company's underwriting activities as described in the accounting policies. The company has entered into a legal agreement with Lloyd's which gives the Corporation the right to apply these funds in settlement of any claims arising from the company's participation on Lloyd's Syndicates. These funds can only be released from the provision of this deed with Lloyd's express permission and only in circumstances where the amounts are either replaced by an equivalent asset or after the expiration of the company's liabilities in respect of its underwriting.

In addition to these amounts, the shareholders of the company have also made available to Lloyd's assets amounting to approximately £57,000 (2011 £57,000) which are also used by the company to support its Lloyd's underwriting.

### **21 Controlling party**

The Duke of Abercorn and the Marquess of Hamilton are controlling directors and shareholders of the company.

### **22 Related party transactions**

During 2012 The Duke of Abercorn and the Marquess of Hamilton, directors of the company, provided funding of £1,832 (2011 - £8,260) and withdrew funding of £Nil (2011 - £40,000). Included within creditors at 31 December 2012 is £354,708 (2011 - £352,876) which is due to The Duke of Abercorn and the Marquess of Hamilton. This amount is shown separately in note 18 under Shareholders' loan account. No interest is chargeable on the amount outstanding.

# KILLYGOWAN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2012

### 23 Syndicates

The company is or was an Underwriting Member of the following Syndicate(s) or MAPA's

Syn No	Managing agent	2013 Allocated Capacity	2012 Allocated Capacity	2011 Allocated Capacity	2010 Allocated Capacity
0033	Hiscox Syndicates Limited	125,210	125,210	118,620	131,799
0218	Equity Syndicate Management Limited	65,658	65,658	72,954	72,954
0260	Canopus Managing Agents Limited	-	-	-	54,369
0318	Beaufort Underwriting Agency Limited	-	27,875	27,875	55,750
0386	QBE Underwriting Limited	77,766	77,766	68,728	68,728
0510	R J Kiln & Co Limited	184,439	184,439	168,492	168,492
0557	R J Kiln & Co Limited	15,054	15,054	15,054	30,000
0609	Atrium Underwriters Limited	115,485	115,485	115,485	115,485
0727	S A Meacock & Co Limited	53,502	53,502	53,502	53,502
0958	Omega Underwriting Agents Limited	76,966	97,957	97,957	97,957
2010	Cathedral Underwriting Limited	87,480	87,480	87,480	87,480
2525	Asta Managing Agency Limited	34,522	34,522	34,522	34,522
2526	Asta Managing Agency Limited	66,530	61,889	52,062	33,127
2791	Managing Agency Partners Limited	133,085	133,085	133,085	126,631
5820	Jubilee Managing Agency Limited	48,176	-	-	-
6103	Managing Agency Partners Limited	25,046	19,819	19,819	19,819
6104	Hiscox Syndicates Limited	38,596	30,000	30,000	30,000
6105	Ark Syndicate Management Limited	11,778	21,212	21,212	-
6106	Amlin Underwriting Limited	28,337	25,000	25,000	25,000
6107	Beazley Furlonge Limited	23,564	20,000	20,000	20,000
6110	Pembroke Managing Agency Limited	56,596	31,442	-	-
6111	Catlin Underwriting Agencies Limited	59,290	53,982	-	-
6113	Barbican Managing Agency Limited	20,000	-	-	-
7217	Hampden Agencies Limited	14,969	14,969	14,969	19,660
		£ 1,362,049	£ 1,296,346	£ 1,176,816	£ 1,245,275

In addition the company is still participating on the following syndicates or MAPA's in run-off

Syn No	Managing agent	Year of Account	Allocated Capacity
0260	Canopus Managing Agents Limited	2009	54,369
0260	Canopus Managing Agents Limited	2008	40,271