

Company registration number: 4068469

Merrieworth (Derby) Limited

Report and financial statements 31 December 2013

Contents:

| | |
|--------------------------------------------------------|-----------|
| Company information | 1 |
| Strategic report | 2 |
| Report of the director | 3 |
| Independent auditor's report | 5 |
| Profit and loss account - technical account | 7 |
| Profit and loss account - non-technical account | 8 |
| Balance sheet | 9 |
| Cash flow statement | 11 |
| Notes to the financial statements | 12 |

SATURDAY



A3AHWEFE

A15

21/06/2014

#10

COMPANIES HOUSE

Merrieworth (Derby) Limited

Company information

Director

Mr W E G Ellis

Company Secretary

Argenta Secretariat Limited

Registered Office

Fountain House
130 Fenchurch Street
London EC3M 5DJ

Auditors

Mazars LLP
Tower Bridge House
St Katharine's Way
London
E1W 1DD

Accountants

Argenta Tax & Corporate Services Limited
Fountain House
130 Fenchurch Street
London EC3M 5DJ

Merrieworth (Derby) Limited

Strategic Report

The Director submits his Strategic Report for the Company for the year ended 31 December 2013.

Business Review

The Company continues to write insurance business in the Lloyd's insurance market as a Lloyd's corporate capital member.

The financial statements incorporate the annual accounting results of the Syndicates on which the Company participates for the 2011, 2012 and 2013 years of account, as well as any 2010 and prior run-off years. The 2011 year closed at 31 December 2013 with a result of £94,309 (2010 - £15,114). The 2012 and 2013 open underwriting accounts will normally close at 31 December 2014 and 2015 respectively.

Results

The results for the year are set out on pages 7 to 8 of the financial statements.

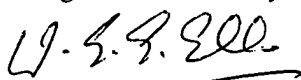
Key Performance Indicators

The Director monitors the performance of the Company by reference to the following key performance indicators:

| | 2013 | 2012 |
|--------------------------------------------|-------------|-------------|
| Capacity (youngest underwriting year) | £ 1,400,000 | £ 1,197,478 |
| Gross premium written as a % of capacity | 86.1% | 93.9% |
| Underwriting profit of latest closed year: | | |
| as a % of capacity | 6.8% | 1.0% |
| Run-off years of account movement | £ - | £ - |
| Combined ratio | 80.1% | 86.2% |

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

Approved by the Board on 11th June 2014
and signed on its behalf by



W E G ELLIS

Director

Merrieworth (Derby) Limited

Report of the Director

The Director submits his Report together with the audited financial statements of the Company for the year ended 31 December 2013.

Principal Activities

The principal activity of the Company is that of trading as a Lloyd's corporate capital member. The Company continues to underwrite for the 2014 year of account.

Dividends

Dividends totalling £Nil were paid in the year (2012 - £Nil).

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.

Directors

The Director who served at any time during the year was as follows:

Mr W E G Ellis

Merrieworth (Derby) Limited

Report of the Director (continued)

Statement of Director's Responsibilities

The Director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial period. Under that law the Director has 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 Director 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 Director is 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Director is 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. He is 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

Mazars LLP have signified their willingness to act and continue to be appointed as the Company's auditors.

In the case of each person who is a Director at the time this report is approved, the following applies:

- (a) So far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board on 11th June 2014
and signed on its behalf by



W E G ELLIS

Director

Merrieworth (Derby) Limited

Independent Auditor's report

Independent auditor's report to the member of Merrieworth (Derby) Limited

We have audited the financial statements of Merrieworth (Derby) Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement 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 the Director and auditors

As explained more fully in the Director's Responsibilities Statement set out on page 4, the Director is 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 (APB's) Ethical Standards for Auditors. This report is made solely to the Company's member 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 member those matters we are required to state to them in an auditor's 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 for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the 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 2013 and of its profit/(loss) 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 the other matter prescribed by the Companies Act 2006

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


Merrieworth (Derby) Limited

Independent Auditor's report (continued)

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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.


Markham/Grice (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St. Katharine's Way
London E1W 1DD

17 June 2014

Merrieworth (Derby) Limited

Profit and loss account

Technical account – general business

For the year ended 31 December 2013

| | Note | 2013 £ | 2012 £ |
|-------------------------------------------------------------------------------|------|------------------|------------------|
| Premiums written | | | |
| Gross premiums written | 1 | 1,205,367 | 1,123,910 |
| Outward reinsurance premiums | 1 | (213,578) | (200,356) |
| Net premiums written | | <u>991,789</u> | <u>923,554</u> |
| Change in the provision for unearned premiums | | | |
| Gross provision | 1 | (55,257) | 63,510 |
| Reinsurers' share | 1 | 9,480 | (7,041) |
| Earned premiums, net of reinsurance | | <u>946,012</u> | <u>980,023</u> |
| Allocated investment return transferred from the non-technical account | | 18,527 | 40,601 |
| Other technical income, net of reinsurance | | - | - |
| Claims paid | | | |
| Gross amount | 1 | (651,111) | (688,917) |
| Reinsurers' share | 1 | 132,914 | 141,967 |
| Net claims paid | | <u>(518,197)</u> | <u>(546,950)</u> |
| Change in provision for claims | | | |
| Gross amount | 1 | 181,119 | 47,431 |
| Reinsurers' share | 1 | (65,921) | (7,191) |
| Change in net provision for claims | | <u>115,198</u> | <u>40,240</u> |
| Claims incurred, net of reinsurance | | (402,999) | (506,710) |
| Changes in other technical provisions, net of reinsurance | | - | - |
| Net operating expenses | 1, 2 | (355,128) | (338,383) |
| Other technical charges, net of reinsurance | | - | - |
| Balance on the technical account for general business | | <u>206,412</u> | <u>175,531</u> |

The accounting policies and notes on pages 12 to 23 form part of these Financial Statements.

Merrieworth (Derby) Limited

Profit and loss account

Non - technical account

For the year ended 31 December 2013

| | Note | 2013 £ | 2012 £ |
|-----------------------------------------------------------------------------------|------|-----------|-----------|
| Balance on technical account for general business | | 206,412 | 175,531 |
| Investment income | 3 | 54,513 | 52,932 |
| Unrealised gains on investments | | 58,797 | 40,509 |
| Investment expenses and charges | 4 | (20,999) | (9,091) |
| Unrealised losses on investments | | (26,374) | (16,897) |
| Allocated investment return transferred to the general business technical account | | (18,527) | (40,601) |
| Other income | | 202 | 4,551 |
| Other charges | | (45,203) | (44,895) |
| Profit/(loss) on ordinary activities before taxation | 5 | 208,821 | 162,039 |
| Tax on profit/(loss) on ordinary activities | 6 | (38,606) | (26,657) |
| Profit/(loss) for the financial year | 13 | 170,215 | 135,382 |

The Company has no recognised gains or losses other than the profit or loss for the year.

All amounts relate to continuing operations.

In accordance with the amendment to the Financial Reporting Standard 3 "Reporting Financial Performance", the inclusion of unrealised gains and losses in the profit and loss account to reflect the marking to market of investments in the balance sheet is deemed not to be a material departure from the historical cost basis of accounting. Accordingly, a separate note of historical cost profits and losses is not given.

The accounting policies and notes on pages 12 to 23 form part of these Financial Statements.

Merrieworth (Derby) Limited

Balance sheet As at 31 December 2013

| | | 31 December 2013 | | | 31 December 2012 | | |
|--------------------------------------------------|------|---------------------------------|----------------|------------|---------------------------------|----------------|------------|
| | Note | Syndicate Participation £ | Corporate £ | Total £ | Syndicate Participation £ | Corporate £ | Total £ |
| Assets | | | | | | | |
| Intangible assets | 8 | - | 29,583 | 29,583 | - | 3,710 | 3,710 |
| Investments | | | | | | | |
| Financial investments | 9 | 1,260,128 | 792,605 | 2,052,733 | 1,319,394 | 538,174 | 1,857,568 |
| Deposits with ceding undertakings | | 365 | - | 365 | 351 | - | 351 |
| | | 1,260,493 | 792,605 | 2,053,098 | 1,319,745 | 538,174 | 1,857,919 |
| Reinsurers' share of technical provisions | | | | | | | |
| Provision for unearned premiums | | 60,189 | - | 60,189 | 51,088 | - | 51,088 |
| Claims outstanding | | 391,715 | - | 391,715 | 466,653 | - | 466,653 |
| Other technical provisions | | - | - | - | - | - | - |
| | | 451,904 | - | 451,904 | 517,741 | - | 517,741 |
| Debtors | | | | | | | |
| Arising out of direct insurance operations | | 196,238 | - | 196,238 | 239,965 | - | 239,965 |
| Arising out of reinsurance operations | | 367,647 | - | 367,647 | 303,596 | - | 303,596 |
| Other debtors | 10 | 126,927 | - | 126,927 | 170,493 | - | 170,493 |
| | | 690,812 | - | 690,812 | 714,054 | - | 714,054 |
| Other assets | | | | | | | |
| Cash at bank and in hand | | 61,016 | 33,159 | 94,175 | 62,065 | 331,752 | 393,817 |
| Other | | 145,719 | - | 145,719 | 164,558 | - | 164,558 |
| | | 206,735 | 33,159 | 239,894 | 226,623 | 331,752 | 558,375 |
| Prepayments and accrued income | | | | | | | |
| Accrued interest | | 1,590 | - | 1,590 | 1,941 | - | 1,941 |
| Deferred acquisitions costs | | 125,454 | - | 125,454 | 104,712 | - | 104,712 |
| Other prepayments and accrued income | | 5,457 | - | 5,457 | 3,754 | - | 3,754 |
| | | 132,501 | - | 132,501 | 110,407 | - | 110,407 |
| Total assets | | 2,742,445 | 855,347 | 3,597,792 | 2,888,570 | 873,636 | 3,762,206 |

The accounting policies and notes on pages 12 to 23 form part of these Financial Statements.

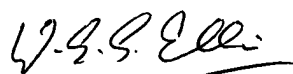
Merrieworth (Derby) Limited

Balance sheet

As at 31 December 2013

| | | 31 December 2013 | | | 31 December 2012 | | |
|---------------------------------------------------------------|------|---------------------------------|----------------|------------|---------------------------------|----------------|------------|
| | Note | Syndicate Participation £ | Corporate £ | Total £ | Syndicate Participation £ | Corporate £ | Total £ |
| Liabilities and shareholders' funds | | | | | | | |
| Capital and reserves | | | | | | | |
| Called up share capital | 12 | - | 100 | 100 | - | 100 | 100 |
| Share premium account | | - | - | - | - | - | - |
| Profit and loss account | 13 | 198,894 | 735,531 | 934,425 | 39,533 | 724,677 | 764,210 |
| Shareholders' funds – attributable to equity interests | | | | | | | |
| | 14 | 198,894 | 735,631 | 934,525 | 39,533 | 724,777 | 764,310 |
| Technical provisions | | | | | | | |
| Provision for unearned premiums | | 504,247 | - | 504,247 | 452,594 | - | 452,594 |
| Claims outstanding – gross amount | | 1,773,221 | - | 1,773,221 | 2,060,808 | - | 2,060,808 |
| Other technical provisions | | - | - | - | - | - | - |
| Provisions for other risks and charges | | | | | | | |
| Deferred taxation | 15 | - | 64,596 | 64,596 | - | 34,678 | 34,678 |
| Other | | - | - | - | - | - | - |
| Deposit received from reinsurers | | 338 | - | 338 | 308 | - | 308 |
| Creditors | | | | | | | |
| Arising out of direct insurance operations | | 20,155 | - | 20,155 | 38,989 | - | 38,989 |
| Arising out of reinsurance operations | | 130,165 | - | 130,165 | 131,499 | - | 131,499 |
| Amounts owed to credit institutions | | 2,266 | - | 2,266 | - | - | - |
| Other creditors including taxation and social security | 16 | 112,251 | 16,917 | 129,168 | 169,922 | 81,083 | 251,005 |
| | | 2,542,643 | 81,513 | 2,624,156 | 2,854,120 | 115,761 | 2,969,881 |
| Accruals and deferred income | | 908 | 38,203 | 39,111 | (5,083) | 33,098 | 28,015 |
| Total liabilities | | 2,742,445 | 855,347 | 3,597,792 | 2,888,570 | 873,636 | 3,762,206 |

Approved and authorised for issue by the Board of Directors on 11th June 2014
and signed on its behalf by:



W E G ELLIS

Director

Company registration number: 4068469

The accounting policies and notes on pages 12 to 23 form part of these Financial Statements.

Merrieworth (Derby) Limited

Cash flow statement For the year ended 31 December 2013

| | Note | 2013 £ | 2012 £ |
|--------------------------------------------------------|-------|-----------------|----------------|
| Operating activities | | | |
| Net cash inflow/(outflow) from operating activities | 17(a) | (15,001) | 164,056 |
| Returns on investments and servicing of finance | | - | - |
| Capital expenditure | | | |
| Purchase of Syndicate capacity | | (26,696) | (3,710) |
| Proceeds from sale of Syndicate capacity | | 172 | - |
| Taxation | | | |
| Corporation and overseas taxes (paid)/refunded | | (37,600) | (13,640) |
| Equity dividends paid | | - | - |
| Financing | | | |
| Issue of shares | | - | - |
| Share issue expenses | | - | - |
| Net cash inflow/(outflow) for the year | 17(b) | <u>(79,125)</u> | <u>146,706</u> |
| Cash flows were invested as follows: | | | |
| Increase/(decrease) in cash holdings | | (298,593) | (209,921) |
| Purchase of financial investments | | 388,312 | 362,935 |
| Sale of financial investments | | (168,844) | (6,308) |
| Net investment of cash flows | 17(b) | <u>(79,125)</u> | <u>146,706</u> |

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.

The accounting policies and notes on pages 12 to 23 form part of these Financial Statements.

Merrieworth (Derby) Limited

Notes to the Financial Statements For the year ended 31 December 2013

Basis of preparation of financial statements

Basis of preparation

The financial statements have been prepared in accordance with the provisions of Schedule 3 to SI 2008/410 and with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") in December 2005 (as amended in December 2006).

Recognition of insurance transactions

Preparing financial statements in accordance with SI 2008/410 requires the Company to recognise its proportion of all the transactions undertaken by the Lloyd's Syndicates in which it participates ("the Syndicates").

The financial statements are prepared using the annual basis of accounting. Under the annual basis of accounting, a result is determined at the end of each accounting period reflecting the profit and loss from providing insurance coverage during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

For each such Syndicate, the Company's proportion of the underwriting transactions, investment return and operating expenses has been reflected within the Company's profit and loss account. Similarly, its proportion of the Syndicate's assets and liabilities has been reflected in its balance sheet (under the column heading "Syndicate"). The Syndicate's assets are held subject to trust deeds for the benefit of the Company's insurance creditors.

The proportion referred to above is calculated by reference to the Company's participation as a percentage of the Syndicate's total capacity.

The Company has delegated sole management and control of its underwriting through each Syndicate to the managing agent of the Syndicate ("the Managing Agent") and it has further undertaken not to interfere with the exercise of such management and control. The Managing Agents of the Syndicates are therefore responsible for determining the insurance transactions to be recognised by the Company. The only exception to this rule is the level of provision for outstanding claims.

Sources of data

The information used to compile the technical account and the "Syndicate" balance sheet is based on returns prepared for this purpose by the Managing Agents of the Syndicates ("the Returns"). These Returns have been subjected to audit by the Syndicate auditors and are based on the audited Syndicate returns to Lloyd's and the audited annual reports to Syndicate members.

The format of the Returns has been established by Lloyd's and Lloyd's has also been responsible for collating the data at a Syndicate level and analysing it into corporate member level results.

Merrieworth (Derby) Limited

Notes to the Financial Statements For the year ended 31 December 2013

Accounting policies

i Accounting convention

The financial statements are prepared in accordance with appropriate accounting standards and under the historical cost convention as modified by the revaluation of financial investments.

ii Going concern

These financial statements have been prepared on a going concern basis.

iii Premiums

Premiums written comprise the total premiums receivable for the whole period of cover provided by the contracts incepting during the financial year, together with any adjustments arising in the year to such premiums receivable in respect of business written in prior years. Premiums are shown gross of commission payable to intermediaries and exclude insurance premium tax. Gross premiums written may include "reinsurance to close" premiums receivable (see vii below). Outward reinsurance premiums may include "reinsurance to close" premiums payable (see vii below). Premiums written by a Syndicate may also include the reinsurance of other Syndicates on which the Company participates. No adjustments have been made to gross premiums written or outward reinsurance premiums (or to gross and reinsurers' claims) to remove this inter - Syndicate reinsurance. Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

iv Claims incurred

Claims incurred include the costs of claims handling expenses. Recoverable amounts arising out of subrogation or salvage are deducted from the cost of claims. Claims incurred comprise amounts paid or provided in respect of claims occurring during the year to 31 December, together with the amount by which settlement or reassessment of claims from prior years differ from the provision at the beginning of the year.

v Provision for claims outstanding

Claims outstanding comprise amounts set aside for claims notified and claims incurred but not yet reported (IBNR). Provision is made for claims incurred but not paid in respect of events up to 31 December. The provision is based on the Returns and reports from the Managing Agents and the Company's licensed adviser or Members' Agent. When appropriate, statistical methods have been applied to past experience of claims frequency and severity.

The two most critical assumptions as regard claims provisions are that the past is a reasonable predictor of the likely level of claims development, and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred. The Director considers the provision for gross claims and related reinsurance recoveries, as based on the Returns to be fairly stated. However, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made.

vi Unexpired risk provision

A provision for unexpired risk is made by the underlying Syndicates where claims, related expenses and deferred acquisition costs, likely to arise after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

Merrieworth (Derby) Limited

Notes to the Financial Statements For the year ended 31 December 2013

Accounting policies (continued)

vii Reinsurance to close

A reinsurance to close is a particular type of reinsurance contract entered into by Lloyd's Syndicates. Under it, underwriting members (the reinsured members) who are members of a Syndicate for a year of account (the closed year), agree with underwriting members who comprise that or another Syndicate for a later year of account (the reinsuring members) that the reinsuring members will indemnify, discharge or procure the discharge, of the reinsured members against all known and unknown liabilities of the reinsured members arising out of insurance business undertaken through that Syndicate and allocated to the closed year in consideration of:

- (1) a premium; and
- (2) either

- (a) the assignment, or agreement to assign, to the reinsuring members of all the rights of the reinsured members arising out of, or in connection with, that insurance business (including without limitation the right to receive all future premiums, reinsurances and other monies receivable in connection with that insurance business); or
- (b) an agreement by the reinsured members that the reinsuring members shall collect on behalf of the reinsured members the proceeds of all such rights and retain them for their own benefit so far as they are not applied in discharges of the liabilities of the reinsured members.

Where the reinsurance to close is between members on successive years of account of the same Syndicate, the Managing Agent has a duty to ensure both sets of members are treated equitably and to set the reinsurance to close with the intention that neither a profit nor a loss accrues to either group of members. To the extent that the Company participates on successive years of account of the same Syndicate and there is a reinsurance to close between those years, the Company has offset its share of the reinsurance to close received against its share of the reinsurance to close paid.

If the Company has increased its participation from one year of account to the next, the reinsurance to close paid is eliminated, as a result of this offset, leaving an element of the reinsurance to close received. This reflects the fact that the Company has assumed a greater proportion of the business of the Syndicate. If the Company has reduced its participation from one year of account to the next, the reinsurance to close received is eliminated, leaving an element of the reinsurance to close paid. This reflects the reduction in the Company's exposure to risks previously written by the Syndicate. The reinsurance to close is technically a reinsurance contract and, as such, the payment of a reinsurance to close does not remove from members of that year of account ultimate responsibility for claims payable on risks they have written. If the reinsuring members under the reinsurance to close become insolvent and the other elements of the Lloyd's chain of security also fail, the reinsured members remain theoretically liable for the settlement of any outstanding claims. However, payment of a reinsurance to close is conventionally accepted as terminating a reinsured member's participation on a Syndicate year of account and it is treated for accounts purposes as settling all the Company's outstanding gross liabilities in respect of the business so reinsured.

viii Investments

Syndicate: Where investments represent the Company's share of Syndicate investments, they are stated at current value at the balance sheet date. For this purpose, listed investments are stated at market value and deposits with credit institutions and overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

Corporate: Listed investments held directly by the Company, by the trustees of the Premiums Trust Fund, or as Lloyd's Deposit, are stated at market value. Unlisted investments held directly by the Company are stated at cost less provision for any permanent diminution in value.

Merrieworth (Derby) Limited

Notes to the Financial Statements For the year ended 31 December 2013

Accounting policies (continued)

ix Investment return

Investment income comprises interest receivable and dividends received plus realised and unrealised gains on the disposal of investments. Realised gains and losses arise from the difference between proceeds and valuation at the previous year end, or cost if there has been no previous revaluation. Unrealised investment gains and losses are calculated as the difference between the valuation at the balance sheet date and the valuation at the last balance sheet date or purchase price, if acquired during the year. Investment income is initially recorded in the non-technical account. All investment income arising on Syndicate participations is allocated to the technical account.

x Net operating expenses

Operating expenses are recognised when incurred. They include the Company's share of Syndicate operating expenses, the remuneration payable to Managing Agents (and the Company's Members' Agent/licensed adviser) and the direct costs of membership of Lloyd's.

xi Foreign currencies

Transactions in United States dollars, Canadian dollars and Euros are translated at the rates of exchange ruling at the date the transaction is processed or at an appropriate average rate. Unless otherwise stated, transactions in currencies other than United States dollars, Canadian dollars and Euros are translated at the rate of exchange ruling at the date the transaction is processed. Monetary assets and liabilities are retranslated into Sterling at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities at the balance sheet date are maintained at the rate of exchange ruling when the contract was entered into (or an appropriate average rate). Exchange differences arising on translation are dealt with in the profit and loss account.

xii Syndicate participation rights

Where the Company has purchased the right to participate on Syndicates, the cost is capitalised and amortised in equal annual instalments over five years. No amortisation is charged in the year of purchase.

xiii Taxation

The Company is taxed on its share of the underwriting results declared by Syndicates and these are deemed to accrue evenly over the calendar year in which they are declared. The Syndicate results included in these financial statements (excluding any losses on open years of account) are only declared for tax purposes in the calendar year following closure of the year of account. HM Revenue & Customs agrees the taxable results of Syndicates at a Syndicate level on the basis of computations submitted by the Managing Agent. At the date of approval of these financial statements, the Syndicate taxable results of this year have not been agreed. Any adjustments that may be necessary to the tax provision as a result of HM Revenue & Customs agreement of Syndicate taxable results will be reflected in the financial statements of subsequent periods.

xiv Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

Merrieworth (Derby) Limited

Notes to the Financial Statements For the year ended 31 December 2013

1. Class of Business

| 2013 | Gross Premiums Written £ | Gross Premiums Earned £ | Gross Claims Incurred £ | Net Operating Expenses £ | Reinsurance Balance £ | Total £ |
|-----------------------------------|-----------------------------------|----------------------------------|----------------------------------|-----------------------------------|-----------------------------|----------------|
| Direct Insurance | | | | | | |
| Accident and health | 33,536 | 32,756 | (15,378) | (13,156) | (1,321) | 2,901 |
| Motor – third party liability | 4,671 | 3,305 | (1,957) | (1,190) | 73 | 231 |
| Motor – other classes | 87,830 | 85,481 | (67,128) | (29,429) | 4,203 | (6,873) |
| Marine, aviation and transport | 125,157 | 130,850 | (46,955) | (41,976) | (15,612) | 26,307 |
| Fire and other damage to property | 261,769 | 259,249 | (90,687) | (87,580) | (45,032) | 35,950 |
| Third party liability | 194,651 | 187,127 | (116,237) | (69,142) | 6,446 | 8,194 |
| Credit and suretyship | 18,029 | 18,265 | (3,580) | (5,607) | (2,894) | 6,184 |
| Legal expenses | 2,738 | 2,688 | (953) | (1,316) | (258) | 161 |
| Assistance | - | - | - | - | - | - |
| Miscellaneous | 2,873 | 2,845 | (1,405) | (1,166) | (18) | 256 |
| | 731,254 | 722,566 | (344,280) | (250,562) | (54,413) | 73,311 |
| Reinsurance | 474,113 | 427,544 | (125,712) | (104,566) | (82,692) | 114,574 |
| Total | 1,205,367 | 1,150,110 | (469,992) | (355,128) | (137,105) | 187,885 |

| 2012 | Gross Premiums Written £ | Gross Premiums Earned £ | Gross Claims Incurred £ | Net Operating Expenses £ | Reinsurance Balance £ | Total £ |
|-----------------------------------|-----------------------------------|----------------------------------|----------------------------------|-----------------------------------|-----------------------------|----------------|
| Direct Insurance | | | | | | |
| Accident and health | 33,194 | 33,066 | (16,529) | (13,798) | (1,213) | 1,526 |
| Motor – third party liability | 1,445 | 2,018 | (746) | (724) | (94) | 454 |
| Motor – other classes | 81,651 | 94,439 | (75,712) | (29,983) | 6,300 | (4,956) |
| Marine, aviation and transport | 134,779 | 153,192 | (66,844) | (47,681) | 331 | 38,998 |
| Fire and other damage to property | 272,473 | 285,059 | (152,638) | (88,811) | (27,177) | 16,433 |
| Third party liability | 192,799 | 201,308 | (116,001) | (65,540) | (8,840) | 10,927 |
| Credit and suretyship | 16,779 | 16,756 | (5,527) | (5,155) | (1,556) | 4,518 |
| Legal expenses | 2,710 | 2,220 | (1,031) | (1,086) | (1) | 102 |
| Assistance | - | - | - | - | - | - |
| Miscellaneous | 3,987 | 4,393 | (1,569) | (2,394) | (5) | 425 |
| | 739,817 | 792,451 | (436,597) | (255,172) | (32,255) | 68,427 |
| Reinsurance | 384,093 | 394,969 | (204,889) | (83,211) | (40,366) | 66,503 |
| Total | 1,123,910 | 1,187,420 | (641,486) | (338,383) | (72,621) | 134,930 |

All insurance business is underwritten in the UK in the Lloyd's insurance market, which has been treated as one geographical segment for the purpose of SSAP25: Segmental Reporting.

Merrieworth (Derby) Limited

Notes to the Financial Statements For the year ended 31 December 2013

| | | |
|----------------------------------------------------------------|----------------|----------------|
| 2. Net Operating Expenses | 2013 | 2012 |
| | £ | £ |
| Acquisition costs | 300,776 | 257,825 |
| Change in deferred acquisition costs | (22,427) | 12,884 |
| Administrative expenses | 47,849 | 39,858 |
| Reinsurance commissions and profit participations | (13,774) | (14,287) |
| Personal expenses | 42,704 | 42,103 |
| | <u>355,128</u> | <u>338,383</u> |
| 3. Investment Income | 2013 | 2012 |
| | £ | £ |
| Income from investments | 46,651 | 40,235 |
| Gains on the realisation of investments | 6,707 | 10,940 |
| Bank deposit interest | 1,155 | 1,757 |
| | <u>54,513</u> | <u>52,932</u> |
| 4. Investment Expenses and Charges | 2013 | 2012 |
| | £ | £ |
| Investment management expenses, including interest | 10,007 | 2,574 |
| Losses on the realisation of investments | 10,992 | 6,517 |
| | <u>20,999</u> | <u>9,091</u> |
| 5. Profit/(Loss) on Ordinary Activities before Taxation | 2013 | 2012 |
| | £ | £ |
| Operating profit/(loss) is stated after charging: | | |
| Director's remuneration | - | - |
| Amortisation of Syndicate capacity | 823 | 1,432 |
| (Profit)/loss on disposal of intangible fixed assets | (172) | - |
| (Profit)/loss on exchange | 23,283 | 23,583 |

The Company has no employees and no staff costs are met by the Company.

The fees payable to the Company's auditor for audit services are included in the fees payable to the Members' Agent.

Merrieworth (Derby) Limited

Notes to the Financial Statements For the year ended 31 December 2013

6. Taxation

| | 2013 £ | 2012 £ |
|-------------------------------------------------|-----------|-----------|
| Analysis of charge in year | | |
| Current tax: | | |
| UK corporation tax on profit/(loss) of the year | 9,238 | 38,150 |
| Adjustment in respect of previous period | (2,087) | (4,613) |
| | 7,151 | 33,537 |
| Foreign tax | 1,537 | 1,660 |
| Total current tax | 8,688 | 35,197 |
| Deferred tax | | |
| Origination and reversal of timing differences | 29,918 | (8,540) |
| | 38,606 | 26,657 |

Factors affecting tax charge for period

The tax assessed for the period is different to the standard rate of corporation tax in the UK of 20.00% (2012 - 20.00%). The differences are explained below:

| | | |
|-------------------------------------------------------------------------------------------------------------------------|----------|---------|
| Profit/(loss) on ordinary activities before tax | 208,821 | 162,039 |
| Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2012 – 20.00%) | 41,764 | 32,408 |
| Effects of: | | |
| Underwriting results subject to timing differences for taxation | (28,530) | 7,940 |
| Creation/(utilisation) of tax losses | - | - |
| Foreign tax | 1,230 | 1,328 |
| Expenses not deductible for tax purposes | - | - |
| Other corporation computation adjustments | (3,689) | (1,865) |
| Marginal rates of taxation and prior period adjustment | (2,087) | (4,614) |
| Current tax charge for the period | 8,688 | 35,197 |

The results of the Company's participation on the 2011, 2012 and 2013 years of account and any calendar year movement on 2010 and prior run-offs, will not be assessed to tax until the year ended 31 December 2014, 2015 and 2016 respectively being the year after the calendar year result of each run-off year or the normal date of closure of each year of account.

7. Dividends

| | 2013 £ | 2012 £ |
|-----------------------------------------------------------------------------|-----------|-----------|
| Amounts recognised as distributions to equity holders in the period: | | |
| Interim dividends paid | - | - |

Merrieworth (Derby) Limited

Notes to the Financial Statements For the year ended 31 December 2013

| 8. Intangible Assets | 2013 | 2012 |
|-------------------------------------|---------------|---------------|
| | £ | £ |
| Purchased Syndicate capacity | | |
| Cost | | |
| At 1 January 2013 | 46,140 | 42,430 |
| Additions | 26,696 | 3,710 |
| Disposals | - | - |
| At 31 December 2013 | <u>72,836</u> | <u>46,140</u> |
| Amortisation | | |
| At 1 January 2013 | 42,430 | 40,998 |
| Provided during the year | 823 | 1,432 |
| Disposals | - | - |
| At 31 December 2013 | <u>43,253</u> | <u>42,430</u> |
| Net Book Value | | |
| At 31 December 2013 | 29,583 | 3,710 |
| At 31 December 2012 | <u>3,710</u> | <u>1,432</u> |

9. Financial Investments

Other financial investments – Syndicate

| | 2013 | 2013 | 2012 | 2012 |
|---------------------------------------------------------------------|------------------|------------------|------------------|------------------|
| | Market | Cost | Market | Cost |
| | Value | £ | Value | £ |
| | £ | | £ | |
| Shares and other variable yield securities and units in unit trusts | 144,774 | 142,808 | 114,924 | 114,380 |
| Debt securities and other fixed income securities | 1,028,701 | 1,034,013 | 1,096,948 | 1,083,762 |
| Participation in investment pools | 54,678 | 52,761 | 60,277 | 71,468 |
| Loans secured by mortgages | 8,442 | 8,410 | 14,562 | 14,388 |
| Other loans | 631 | 631 | 5,783 | 5,781 |
| Deposits with credit institutions | 8,943 | 8,942 | 10,242 | 10,224 |
| Other | 13,959 | 13,176 | 16,658 | 16,030 |
| | <u>1,260,128</u> | <u>1,260,741</u> | <u>1,319,394</u> | <u>1,316,033</u> |

Listed investments included in the market value above

| | | |
|---------------------------------------------------------------------|------------------|------------------|
| Shares and other variable yield securities and units in unit trusts | 144,774 | 114,924 |
| Debt securities and other fixed income securities | 1,028,701 | 1,096,948 |
| | <u>1,173,475</u> | <u>1,211,872</u> |

Merrieworth (Derby) Limited

Notes to the Financial Statements For the year ended 31 December 2013

10. Other Debtors

| | 2013 | | | 2012 | | |
|-------------------------------------|---------------------------------|----------------|----------------|---------------------------------|----------------|----------------|
| | Syndicate Participation £ | Corporate £ | Total £ | Syndicate Participation £ | Corporate £ | Total £ |
| Amounts due from group undertakings | - | - | - | - | - | - |
| Other | 126,927 | - | 126,927 | 170,493 | - | 170,493 |
| | <u>126,927</u> | <u>-</u> | <u>126,927</u> | <u>170,493</u> | <u>-</u> | <u>170,493</u> |

11. Funds at Lloyd's

The amount of Funds at Lloyd's is represented in the balance sheet as:

| | 2013 | | | 2012 | | |
|-------------|---------------------------------|----------------|----------------|---------------------------------|----------------|----------------|
| | Syndicate Participation £ | Corporate £ | Total £ | Syndicate Participation £ | Corporate £ | Total £ |
| Cash | - | 11,533 | 11,533 | - | 226,465 | 226,465 |
| Investments | - | 792,605 | 792,605 | - | 538,174 | 538,174 |
| | <u>-</u> | <u>804,138</u> | <u>804,138</u> | <u>-</u> | <u>764,639</u> | <u>764,639</u> |

Funds at Lloyd's represents assets 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 Lloyd's Deposit Trust Deed which gives Lloyd's the right to apply these monies in settlement of any claims arising from the participation on the Syndicates. These monies 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.

12. Called-up Share Capital

| | 2013 | 2013 | 2012 | 2012 |
|--------------------|--------------|------------------------------------------|--------------|------------------------------------------|
| | Authorised | Allotted, called-up and fully paid | Authorised | Allotted, called-up and fully paid |
| Ordinary £1 shares | <u>1,000</u> | <u>100</u> | <u>1,000</u> | <u>100</u> |

Merrieworth (Derby) Limited

Notes to the Financial Statements For the year ended 31 December 2013

13. Profit and Loss Account

| | 2013 | | | 2012 | | |
|----------------------------------------|---------------------------------|----------------|------------|---------------------------------|----------------|------------|
| | Syndicate Participation £ | Corporate £ | Total £ | Syndicate Participation £ | Corporate £ | Total £ |
| Retained profit/(loss) brought forward | 39,533 | 724,677 | 764,210 | 122,537 | 506,291 | 628,828 |
| Reallocate distribution | (15,114) | 15,114 | - | (242,272) | 242,272 | - |
| Profit/(loss) for the financial year | 174,475 | (4,260) | 170,215 | 159,268 | (23,886) | 135,382 |
| Equity dividends | - | - | - | - | - | - |
| Retained profit/(loss) carried forward | 198,894 | 735,531 | 934,425 | 39,533 | 724,677 | 764,210 |

14. Reconciliation of Movements in Shareholders' Funds

| | 2013 £ | 2012 £ |
|--------------------------------------|-----------|-----------|
| Opening shareholders' funds | 764,310 | 628,928 |
| Profit/(loss) for the financial year | 170,215 | 135,382 |
| Equity dividends | - | - |
| Proceeds from issue of shares | - | - |
| Closing shareholders' funds | 934,525 | 764,310 |

15. Provision for Other Risks and Charges

| Deferred Taxation | 2013 £ | 2012 £ |
|--------------------------------|-----------|-----------|
| Opening balance | 34,678 | 43,218 |
| Profit and loss account charge | 29,918 | (8,540) |
| Closing balance | 64,596 | 34,678 |

Merrieworth (Derby) Limited

Notes to the Financial Statements For the year ended 31 December 2013

16. Other Creditors including Taxation and Social Security

| | 2013 | | | 2012 | | |
|----------------------------------|---------------------------------|----------------|------------|---------------------------------|----------------|------------|
| | Syndicate Participation £ | Corporate £ | Total £ | Syndicate Participation £ | Corporate £ | Total £ |
| Corporation tax | - | 9,238 | 9,238 | - | 38,150 | 38,150 |
| Director's loan accounts | - | 7,679 | 7,679 | - | 42,932 | 42,932 |
| Third party funds | - | - | - | - | - | - |
| Other creditors | 112,251 | - | 112,251 | 169,922 | 1 | 169,923 |
| Amount due to group undertakings | - | - | - | - | - | - |
| | 112,251 | 16,917 | 129,168 | 169,922 | 81,083 | 251,005 |

17. (a) Reconciliation of Operating Profit/(Loss) to Net Cash Inflow/(Outflow) from Operating Activities

| | 2013 £ | 2012 £ |
|------------------------------------------------------|-----------|-----------|
| Profit/(loss) on ordinary activities before tax | 208,821 | 162,039 |
| (Profit)/loss attributable to Syndicate transactions | (159,361) | 83,004 |
| Profit/(loss) – excluding Syndicate transactions | 49,460 | 245,043 |
| (Increase)/decrease in debtors | - | 18,272 |
| Increase/(decrease) in creditors | (30,149) | (84,921) |
| (Profit)/loss on disposal of intangible assets | (172) | - |
| Amortisation of Syndicate capacity | 823 | 1,432 |
| Realised/unrealised (gains)/losses on investments | (34,963) | (15,770) |
| Net cash inflow/(outflow) from operating activities | (15,001) | 164,056 |

(b) Movement in Cash, Portfolio Investments and Financing

| | At 1 January 2013 £ | Cashflow £ | Changes to Market Value £ | At 31 December 2013 £ |
|-----------------------------|---------------------------|---------------|---------------------------------|-----------------------------|
| Cash | 331,752 | (298,593) | - | 33,159 |
| Other financial investments | 538,174 | 219,613 | 34,818 | 792,605 |
| | 869,926 | (78,980) | 34,818 | 825,764 |

Merrieworth (Derby) Limited

Notes to the Financial Statements For the year ended 31 December 2013

18. Related Party Disclosure

During the year the Director made loans to and from the Company. At the Balance Sheet date the amount due (to)/from the Company was £7,679 (2012: £42,932).

19. Ultimate Controlling Party

The Company is controlled by Mr W E G Ellis who holds 100% of the issued £100 ordinary share capital.