

THREE LIONS UNDERWRITING LIMITED

Report and Financial Statements

31 December 2010

THURSDAY



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COMPANIES HOUSE

THREE LIONS UNDERWRITING LIMITED

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D Niemann
J F Strain
A Hedger (resigned 4th August 2010)
M Roehrig
S Friese
A Durling

SECRETARY

J Griffin (appointed 5th August 2010)

REGISTERED OFFICE

55 King William Street
London
EC4R 9AD

AUDITORS

KPMG Audit Plc
Chartered Accountants
15 Canada Square
London E14 5GL

BANKERS

National Westminster Bank PLC
1 Princes Street
London
EC2R 8PA

Anglo Irish Bank
10 Old Jewry
London
EC2R 8DN

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2010 for Three Lions Underwriting Limited (registered number 4516776)

PRINCIPAL ACTIVITY

The Company's principal activity is that of an underwriting agency

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The development of the Company's business during the year and its position at the end of the year were satisfactory

During the 2011 financial year the directors intend to continue to develop the Company's core business, and further improve its in-house administrative capabilities in order to streamline the process for its customers

GOING CONCERN

The company's business activities, together with the factors likely to affect its future development, performance and position are set out above. The financial position of the company as disclosed on the balance sheet shows net current assets of £ 553,238 and net assets of £877,892

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

DIVIDEND

The amount (if any) that the directors recommend should be paid by way of a dividend was £nil (2009 - nil)

DIRECTORS AND THEIR INTERESTS

The present directors and the directors who served during the year are set out on page 1

None of the directors had any interests in the shares of the Company

J F Strain, D Niemann and S Friese are directors of Bell & Clements Limited

The company maintains cover for the risk of errors and omission at a level considered by the Board to be appropriate and which satisfied its regulators. The Directors benefit from a group wide qualifying third party indemnity provision, which was in place during the financial year and at the date of this report

CHARITABLE DONATIONS

The Company made charitable donations of £475 during the year (2009 - £2,433)

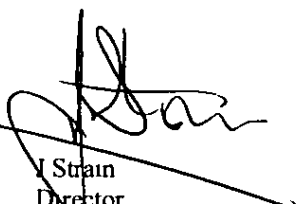
DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

AUDITORS

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

Approved by the Board of Directors
and signed on behalf of the Board



J Strain
Director
13th September 2011

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

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 period. Under that law they have elected to prepare company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and 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 directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
THREE LIONS UNDERWRITING LIMITED**

We have audited the financial statements of Three Lions Underwriting Limited for the year ended 31 December 2010 as set out on pages 5 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

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 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

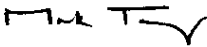
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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


Mark J Taylor (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

13th September 2011

THREE LIONS UNDERWRITING LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2010

	Note	2010	2009
		£	Restated £
TURNOVER	2	3,111,196	3,131,303
Other operating income		19,338	98,072
Administrative expenses		<u>(3,271,251)</u>	<u>(3,202,705)</u>
OPERATING (LOSS)/PROFIT AND (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(140,717)	26,670
Tax on (loss)/profit on ordinary activities	6	<u>19,616</u>	<u>(21,477)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	13	<u><u>(121,101)</u></u>	<u><u>5,193</u></u>

CONTINUING OPERATIONS

Turnover and operating profit derive from continuing operations

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

THREE LIONS UNDERWRITING LIMITED

STATEMENT OF RECOGNISED GAINS AND LOSSES

Year ended 31 December 2010

	2010 £	2009 Restated £
(LOSS)/ PROFIT FOR THE FINANCIAL YEAR	(121,101)	5,193
TOTAL RECOGNISED GAIN AND LOSSES RELATING TO THE FINANCIAL YEAR	(121,101)	5,193
Prior year adjustment (as explained in note 16)	(74 282)	
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT	(195,383)	

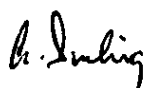
THREE LIONS UNDERWRITING LIMITED

BALANCE SHEET 31 December 2010

	Note	2010 £	2009 Restated £
FIXED ASSETS			
Tangible assets	7	324,654	55,922
CURRENT ASSETS			
Debtors	8	3,050,795	3,015,027
Cash at bank and in hand	9	7,651,588	6,637,353
		10,702,383	9,652,380
CREDITORS: amounts falling due within one year	10	(10,149,145)	(8,709,309)
NET CURRENT ASSETS		553,238	943,071
NET ASSETS		877,892	998,993
CAPITAL AND RESERVES			
Called up share capital	12	50,000	50,000
Profit and loss account	13	827,892	948,993
EQUITY SHAREHOLDERS' FUNDS	13	877,892	998,993

The Board of Directors approved these financial statements on pages 5 to 15 on 13th September 2011

Signed on behalf of the Board of Directors



A Durling
Managing Director

NOTES

Year ended 31 December 2010

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements, except as explained in note 16

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

Going concern

The financial statements have been prepared on the going concern basis. The directors have reviewed the budget and cash flow forecasts of the company for a period of not less than 12 months from the date of approving these financial statements and are confident that they show the company will have sufficient resources to meet their liabilities as they fall due.

Accordingly the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Cash flow statement

A cash flow statement has not been prepared as the Company has taken advantage of the exemption allowed by Financial Reporting Standard 1 (revised) where the financial statements of the Company are consolidated by its ultimate parent undertaking and those consolidated statements are available to the public.

Turnover

Turnover represents commissions receivable from underwriters on whose behalf the Company binds insurance risks. Where the Company has contractual obligations to perform post placement activities, an appropriate portion of the commission is deferred to future periods and recognised over the period over which contractual obligations are performed.

Profit Commission

Profit commission is taken to income when the right to profit commission is achieved and is capable of reliable measurement. Any adjustments are dealt with in subsequent periods.

Taxation

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

Depreciation

Depreciation is calculated to write off the cost of tangible fixed assets on a straight-line basis over their estimated useful lives, which are estimated to be:

Leasehold improvements	-	term of the lease
Furniture, fixtures and fittings	-	80 months
Computer equipment	-	36 months
Office machinery	-	60 months

NOTES

Year ended 31 December 2010

1. ACCOUNTING POLICIES (CONTINUED)

Trade debtors and creditors

The Company acts as agent in placing the insurable risks of its clients with insurers and, as such, generally, is not liable as principal for amounts arising from such transactions. Notwithstanding these legal relationships, debtors and creditors arising from insurance broking transactions are shown as assets and liabilities. This recognises that the Company is entitled to retain the investment income on any cash flows arising from these transactions.

Debtors and creditors arising from a transaction between a client and insurers (e.g. a premium or a claim) are recorded simultaneously. Consequently, there is a high level of correlation between the totals reported in respect of trade debtors and trade creditors.

It is normal practice for the Company to settle accounts with other intermediaries, clients, insurers and market settlement bureaux on a net basis. Thus, large changes in both trade debtors and creditors can result from comparatively small cash settlements. For this reason, the totals of trade debtors and creditors give no indication of future cash flows.

The legal status of this practice of net settlement is uncertain and in the event of insolvency it is generally abandoned. FRS 5 "Reporting the substance of transactions" requires that offset of assets and liabilities should be recognised in the financial statements where, and only where, the offset would survive the insolvency of the other party. Accordingly, only such offsets have been recognised in calculating trade debtors and creditors.

Operating leases

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the term of the lease.

Pension scheme

The Company operates a Group Personal Pension Scheme ("the GPP"), which is a defined contribution scheme, for all employees. Contributions to the GPP are charged to the profit and loss account in the year in which they are payable.

Foreign currencies

Assets and liabilities in foreign currencies have been translated into sterling at the rates ruling at the balance sheet date. Differences arising on the translation of such items are dealt with in the profit and loss account.

2. TURNOVER

Turnover is derived from the principal activity of acting as an underwriting agency. The entire turnover arises in the United Kingdom.

THREE LIONS UNDERWRITING LIMITED

NOTES

Year ended 31 December 2010

3. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging	2010	2009
	£	£
Amounts receivable by the auditors and their associates in respect of Audit of these financial statements pursuant to legislation	19,228	21,991
Depreciation of tangible fixed assets	78,538	29,217
Loss on disposal of fixed assets	10,892	182

4. DIRECTORS AND EMPLOYEES

Staff costs (including directors)

	2010	2009
	£	£
Wages, salaries and bonuses	1,778,462	1,908,439
Social security costs	211,316	233,627
Defined contribution pension scheme contributions	134,424	144,047
Other staff benefits	77,316	75,109
Other staff costs	64,757	49,949
	<u>2,266,275</u>	<u>2,411,171</u>

Directors' emoluments

	2010	2009
	£	£
Total aggregated emoluments (excluding pension contributions)	211,068	260,513
Pension contributions	31,733	27,350
Compensation for loss of office	78,500	-
Total aggregated emoluments	<u>321,301</u>	<u>287,863</u>

The aggregated emoluments and pension contributions shown above include all directors. There were no outstanding pension contributions as at 31 December 2010 (2009 - nil)

	2010	2009
	£	£
Highest paid director emoluments (excluding pension contributions)	159,967	119,063
Highest paid director pension contributions	7,133	11,250
Total aggregated emoluments	<u>167,100</u>	<u>130,313</u>

Monthly average number of employees (excluding directors)

The average number of employees was 36 during the year to 31st December 2010 (2009 – 40)

NOTES

Year ended 31 December 2010

5. PENSION

The pension scheme run by the company is a group personal pension with Clerical Medical. The cost for the year was £134,424 (2009 - £144,047) and there were no outstanding or prepaid contributions at the balance sheet date.

6. TAXATION

	2010	2009 Restated
Analysis of charge in the year	£	£
UK corporation tax		
Current tax on income for the year	-	23,180
Adjustments in respect of prior years	(23,180)	-
Total current tax	(23,180)	23,180
Deferred tax (see note 11)		
Origination/reversal of timing differences	2,291	(1,703)
Effect of decrease in tax rate	1,273	-
Total deferred tax	3,564	(1,703)
Tax on profit on ordinary activities	(19,616)	21,477

	2010	2009 Restated
Factors affecting tax charge for the year	£	£
(Loss)/Profit on ordinary activities before tax	(140,717)	26,670
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 – 28%)	(39,401)	7,468
Effects of		
Expenses not deductible for tax purposes	20,671	13,267
Difference between depreciation and capital allowances	(46,386)	1,794
Excess trade losses carried back	23,180	651
Excess trade losses carried forward	41,936	-
Adjustment in respect of prior periods	(23,180)	-
Current tax charge for the year	(23,180)	23,180

THREE LIONS UNDERWRITING LIMITED

NOTES

Year ended 31 December 2010

7. TANGIBLE FIXED ASSETS

	Leasehold improvements £	Furniture, fixtures & fittings £	Computer hardware and software £	Office machinery £	Total £
Cost					
At 31 December 2009	119,872	69,693	121,266	39,809	350,640
Additions	216,897	100,044	25,674	15,547	358,162
Disposals	(54,626)	(48,172)	(1,340)	(4,351)	(108,489)
At 31 December 2010	<u>282,143</u>	<u>121,565</u>	<u>145,600</u>	<u>51,005</u>	<u>600,313</u>
Accumulated depreciation					
At 31 December 2009	119,037	47,592	106,544	21,545	294,718
Charge for the period	41,081	16,574	13,575	7,308	78,538
Disposals	(54,626)	(37,827)	(1,340)	(3,804)	(97,597)
At 31 December 2010	<u>105,492</u>	<u>26,339</u>	<u>118,779</u>	<u>25,049</u>	<u>275,659</u>
Net book value					
At 31 December 2010	<u>176,651</u>	<u>95,226</u>	<u>26,821</u>	<u>25,956</u>	<u>324,654</u>
At 31 December 2009	<u>835</u>	<u>22,101</u>	<u>14,722</u>	<u>18,264</u>	<u>55,922</u>

8. DEBTORS

	2010 £	2009 Restated £
Trade debtors - fellow subsidiary	812,970	741,934
- others	1,977,082	1,832,079
Other debtors	7,098	194,914
Prepayments and accrued income	153,984	210,444
Corporate tax recoverable	67,569	-
Deferred tax assets (Note 11)	32,092	35,656
	<u>3,050,795</u>	<u>3,015,027</u>

9. CASH AT BANK AND IN HAND

	2010 £	2009 £
Insurance accounts	6,562,884	5,570,429
Other accounts	1,088,704	1,066,924
	<u>7,651,588</u>	<u>6,637,353</u>

NOTES

Year ended 31 December 2010

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010	2009
	£	Restated £
Trade creditors - fellow subsidiary	8,872,270	7,765,235
- others	466,101	367,245
Corporation tax payable	-	21,680
Other creditors including taxation and social security	514,299	413,292
Accruals and deferred income	296,475	141,857
	<u>10,149,145</u>	<u>8,709,309</u>

11. DEFERRED TAXATION

	2010	2009
	£	Restated £
Balance at the beginning of the year	(35,656)	(33,953)
Difference between depreciation and capital allowances	42,971	(1,052)
Trade losses	(39,407)	(651)
Balance at the end of the year	<u>(32,092)</u>	<u>(35,656)</u>

The deferred tax comprises as follows

Deferred taxation	2010	2009
	£	£
Trade losses	68,294	28,887
Accelerated capital allowances	(36,202)	6,769
Balance at the end of the year (note 8)	<u>32,092</u>	<u>35,656</u>

A 27% corporation tax rate has been used to value the deferred tax asset as at 31 December 2010 as this is the rate substantially enacted at year end in accordance with UK GAAP. The emergency budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over the period of 4 years from 2011. The first reduction from 28% to 27% will be effective 1 April 2011. This was followed with an announcement in the budget on 23 March 2011 that the first reduction would be from 28% to 26% with effect from 1 April 2011 with subsequent reductions of 1% per year to 23%. This will mean that the deferred tax will reverse at a lower rate than that at which it is currently recognised.

NOTES

Year ended 31 December 2010

12. CALLED UP SHARE CAPITAL

	2010 £	2009 £
Authorised:		
600,000 "A" ordinary £1 shares	600,000	600,000
400,000 "B" ordinary £1 shares	400,000	400,000
	<u>1,000,000</u>	<u>1,000,000</u>
Called up, allotted, and fully paid:		
30,000 "A" ordinary £1 shares	30,000	30,000
20,000 "B" ordinary £1 shares	20,000	20,000
	<u>50,000</u>	<u>50,000</u>

The "A" and "B" shares rank pari passu in all respects

13. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS AND RESERVES RECONCILIATION

(a) Reconciliation of movements in shareholders' funds

	2010 £	2009 Restated £
(Loss)/ profit for the year	(121,101)	5,193
Opening shareholders' funds (originally £1,073,275 before deducting a prior year adjustment of £74,282)	998,993	993,800
Closing shareholders' funds	<u>877,892</u>	<u>998,993</u>

(b) Profit and loss reserve

	2010 £
At beginning of year as previously stated	1,023,275
Prior year adjustment	(74,282)
At beginning of the year as restated	<u>948,993</u>
Loss for the year	(121,101)
	<u><u>827,892</u></u>

NOTES

Year ended 31 December 2010

14 RELATED PARTY TRANSACTIONS

The ultimate parent company and the parent company of the largest and smallest group of companies into which the company is consolidated is Munchener Ruckversicherungs-Gesellschaft AG ("Munich Re"). Copies of Munich Re's financial statements are available from Koniginstrasse 107, 80802 Munchen, Germany

Great Lakes Reinsurance (UK) plc ("Great Lakes")

The Company has entered into a binding authority agreement with Great Lakes under which the Company earned a commission of £2,996,003 during the year (2009 - £3,006,250), this commission is earned under an arms-length agreement. The Company and Great Lakes are both controlled by Munich Re

The Company also has a binding authority agreement with ERGO Versicherung Aktiengesellschaft ("ERGO") under which the company earned a commission of £100,000 during the year (2009 - £100,000), this commission is earned under an arms-length agreement

J F Strain, D Niemann and S Friese are directors of Bell & Clements Limited. During the year the Company paid Bell & Clements Limited £114,730 (2009 - £117,197) in management charges under an arms-length service agreement. There was a balance due to Bell & Clements Limited at the end of the year of £53,138.82 in respect of items paid for by Bell & Clements Limited (2009 - £51,006) and a balance due from Bell & Clements Limited of £nil due for management charges (2009 - £nil)

15. LEASE COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows

	2010 Land and Buildings £	Other £	2009 Land and Buildings £	Other £
Operating leases which expire				
Within one year	10,172	-	10,172	-
In the second to fifth years inclusive	136,930	-	136,930	-
	<u>147,102</u>	<u>-</u>	<u>147,102</u>	<u>-</u>

16. PRIOR YEAR ADJUSTMENT

The company has obligations to provide post placement services such as claims handling activities under its binding authorities with insurers. In prior periods no revenue had been deferred to cover these obligations. However, on further consideration of the Company's own position and that of similar companies in the sector, the Directors have concluded that it would be more appropriate, and align with FRS 5 Application note G to defer a relevant portion of the commission income for recognition in the future periods in which these activities take place. The effect of this change on the 2009 accounts is to

- Increase accruals and deferred income by £103,169 in the 2009 balance sheet (2008 £100,843), representing the revenue deferred at 31 December 2009
- Increase the deferred tax asset by £28,887 in the 2009 balance sheet (2008 £28,236), representing the tax impact of the revenue deferral
- Reduce the profit after tax for the year 2009 by £1,675 representing the change in the deferred revenue balance net of tax for the period, being a movement in revenue of £2,326 and tax of £651
- Reduce the net assets and equity by £74,282 in the 2009 balance sheet

In addition, the impact on the results for the current period is a reduction in revenue of £1,979 reflecting the year on year movement in the deferred revenue balance and a corresponding movement in deferred tax