

**XL BCM Limited**  
**Annual Report and Financial Statements**  
**Year ended**  
**31 December 2011**



Registered No 5085862

## **Contents**

	<b>Page</b>
Directors and Officers	2
Directors' Report	3 - 5
Independent Auditors' Report	6
Profit and Loss Account	7
Balance Sheet	8
Notes to the Financial Statements	9 - 12

## **Directors and Officers**

### **Directors**

Mervyn P Skeet  
Sean G Waste

### **Company Secretary**

Sean G Waste

### **Registered Office**

XL House  
70 Gracechurch Street  
London  
EC3V 0XL

### **Auditors**

PricewaterhouseCoopers LLP  
7 More London Riverside  
London SE1 2RT

## **Directors' report for the year ended 31 December 2011**

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2011

### **Principal activities**

XL BCM Limited ("the Company") was incorporated as Swissgrange Limited on 26 March, 2004. On 30 March, 2004, the Company's name was changed to XL BCM Limited.

The Company commenced operations with the purpose of becoming a member of Banquo Credit Management LLP ("Banquo"), an English partnership engaged in the business of providing investment advisory and discretionary management services. The Company has a 47.6% ownership interest in Banquo.

### **Future developments**

During 2010 the Management of Banquo Credit Management LLP ("Banquo") placed the partnership and its subsidiaries into orderly run off. In reflection of this, the Company has written down its investment to zero, and no longer presents its accounts on the going concern basis.

The Directors have decided to withdraw from Banquo and the Company will be effectively dormant during the period required to wind up its obligations to and separate from Banquo. The Directors anticipate that the company will be dissolved in late 2012.

### **Business review and key performance indicators ("KPIs")**

During the year the Company's immediate parent undertaking, XL Re Ltd ("XL Re"), subscribed to additional share capital of €428,332 (2010: €2,100,000). In addition, the Company contributed a further €456,666 (2010: €2,300,000) to Banquo.

As explained above, in 2010 the Company's investment in Banquo was written down by €8,243,335 to €nil because "Banquo" was placed in run-off. During 2011 the Company wrote down its investment in Banquo by a further €456,666. The Company may recover some of its investment but the Directors believe that this is unlikely to result in profits for the Company, and no value has been assigned to this.

The Company's Directors are of the opinion that no additional key performance indicators over and above operating expenses and loss after tax, as disclosed in the profit and loss account on page 7, are necessary for an understanding of the development, performance or position of the business.

### **Principal risks and uncertainties**

The principal risk and uncertainty for the Company is the valuation of its investment in Banquo. This was written down to €nil during the year.

### **Results and dividends**

The results of the Company for the year as set out on page 7 show a loss on ordinary activities before tax of €512,097 (2010 loss: €8,370,885).

Shareholder's funds of the Company as set out on page 8 total €608,610 (2010: €392,131).

No interim dividend was paid and the Directors do not propose to pay a final dividend (2010: €nil).

## **Directors' report for the year ended 31 December 2011 (continued)**

### **Financial risk management**

The Directors have considered all financial risks of the Company. The Directors do not believe that there are any significant interest rate, cash flow, liquidity, credit or price risks and believe that adequate funds are available to meet all future liabilities.

### **Currency risk**

The Company is exposed to currency risk in respect of its monetary assets and liabilities denominated in foreign currencies. The Company strives to minimise this risk by ensuring that settlements are made in a timely manner.

### **Directors**

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Mervyn P. Skeet  
Sean G. Wastie

None of the Directors, according to the register of Directors' interests, have any interest in the shares of the Company.

### **Auditors**

The shareholder has dispensed with the requirement to hold annual general meetings and appoint auditors annually, through an elective resolution. PricewaterhouseCoopers LLP have indicated their willingness to continue in office, and as a result they will be deemed to be reappointed for the next financial year.

### **Statement of Directors' responsibilities**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently,
- make 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Directors' report for the year ended 31 December 2011 (continued)**

**Statement of disclosure of information to auditors**

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

- so far as each of them is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31 December, 2011 of which the auditors are unaware, and
- the Director 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

BY ORDER OF THE BOARD



Sean G Waste  
Company Secretary

XL House  
70 Gracechurch Street  
London EC3V 0XL  
26 July 2012

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XL BCM LIMITED**

We have audited the financial statements of XL BCM Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its 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 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

Nick Wilks

Nick Wilks (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
26 July 2012

**PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 December 2011**

	Notes	2011 €	2010 €
Amounts written off investments	3	(456,666)	(8,243,335)
Administration expenses		(55,547)	(127,550)
<b>Operating Loss</b>	2	(512,213)	(8,370,885)
Other interest receivable and similar income	5	117	-
<b>Loss on ordinary activities before taxation</b>		(512,096)	(8,370,885)
Tax benefit on loss on ordinary activities	6	300,243	1,035,893
<b>Loss for the financial year</b>		(211,853)	(7,334,992)

Loss on ordinary activities arose solely from continuing activities

There are no recognised gains or losses for the year other than those included in the profit and loss account. Accordingly, a statement of recognised gains and losses is not presented.

The notes on pages 9 to 12 form an integral part of these financial statements.

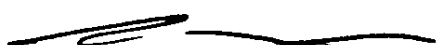
There are no material differences between the loss on ordinary activities before taxation or the loss for the financial years stated above and their historical cost equivalents.



**BALANCE SHEET**  
**As at 31 December 2011**

	Notes	2011 €	2010 €
<b>Fixed assets</b>			
Investments	3	-	-
<b>Current assets</b>			
Debtors	7	338,905	366,993
Cash at bank and in hand		290,336	172,017
		<u>629,241</u>	<u>539,010</u>
<b>Creditors – amounts falling due within one year</b>	8	(20,631)	(146,879)
<b>Net current assets</b>		<u>608,610</u>	<u>392,131</u>
<b>Total assets less current liabilities</b>		608,610	392,131
<b>Net assets</b>		<u>608,610</u>	<u>392,131</u>
<b>Capital and reserves</b>			
Called-up share capital	9	25,806,819	25,378,487
Profit and loss account	10	(25,198,209)	(24,986,356)
<b>Total shareholder's funds</b>		<u>608,610</u>	<u>392,131</u>

These financial statements on pages 7 to 12 were approved by the Board of Directors and signed on its behalf by



Sean G Wastie  
Director  
26 July 2012

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2011**

**1 Accounting Policies**

**A Basis of presentation**

These financial statements have been prepared in accordance with section 396 of the Companies Act 2006 and applicable UK accounting standards. The principal accounting policies which have been applied consistently from year to year are set out below.

As stated in the Directors' Report the Company intends to exit from the Partnership and the Company will subsequently be liquidated. The financial statements have therefore not been prepared on a going concern basis and instead have been prepared on a break up basis. All assets are valued at their net realisable value and all expected liabilities have been provided for as falling due within one year.

**B Exemption from applying equity accounting disclosure requirements**

The Company availed itself of the exemption under Section 401 of the Companies Act 2006 from preparing group accounts on the grounds that it is a wholly owned subsidiary of its ultimate parent company XL Group plc (registered in Ireland) which prepares group consolidated financial statements. As such the equity accounting disclosure requirements for individual financial statements have not been applied. The consolidated financial statements of XL Group plc, within which this Company and all of its underlying subsidiaries are included, can be obtained from the address given in note 11.

**C Exemption from preparing cash flow statement**

The Company has availed itself of the exemption under Financial Reporting Standard 1 ("FRS 1") "Cash Flow Statements (Revised)" on the grounds that it is a wholly owned subsidiary whose ultimate parent company is XL Group plc (registered in Ireland) which prepares group consolidated financial statements which are publicly available and include a group consolidated cash flow statement. Accordingly, no cash flow statement is presented.

**D Exemption from disclosing related party transactions**

As the Company is a wholly-owned subsidiary whose ultimate parent company is XL Group plc (registered in Ireland), the Company has taken advantage of the exemption contained in Financial Reporting Standard 8 ("FRS 8") "Related Party Disclosures" from disclosing related party transactions with entities which form part of XL Group plc.

**E Interest income**

Interest income is recognised on an accruals basis.

**F Deferred taxation**

Provision is made on the balance sheet for deferred tax assets or liabilities, using the liability method, on all material timing differences. Deferred tax assets and liabilities are calculated at the rates at which it is expected that the tax will arise. Deferred tax assets are recognised on this basis only where they are regarded as recoverable by reference to anticipated levels of future taxable profits. Deferred tax is recognised in the profit and loss account for the period except to the extent that it is attributable to a gain or loss that is recognised in the statement of total recognised gains and losses. Deferred tax assets and liabilities recognised are not discounted.

**G Foreign currencies**

The Euro is the functional and presentational currency of the Company. This follows the primary economic environment of the Company's sole investment Banquo which operates a fund based in Europe.

Foreign currency transactions are translated into the presentational currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account for the period. All exchange differences are accounted for within Administration expenses.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended 31 December 2011**

**1 Accounting Policies (continued)**

**H Fixed asset investment**

The investment held relates to the Company's holding in Banquo. This investment is accounted for as a fixed asset investment shown at cost less any provision for impairment. The cost includes transaction costs that are directly attributable to the acquisition of the investment. Annual impairment reviews are carried out if events or changes indicate that the carrying amount of the fixed asset investment is impaired.

**2. Operating Loss**

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Operating loss is after charging		
Investment management fees	38,015	71,020
Other fees, expenses and foreign exchange gains/losses	7,258	47,376
Services provided by the company's auditor – Fees payable for the audit	10,274	9,153

Investment management fees are payable to XL Capital Investment Partners Inc. They are computed as a percentage of the assets under management.

**3. Investments**

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Investment in associate	-	-

The company is a partner in Banquo Credit Management LLP, an English partnership, with a 47.6% interest.

During the year the Company's investment in Banquo was written down by €456,666 (2010: €8.2m) to €nil as Banquo is now in orderly run-off. This impairment includes a €456,666 (2010: €2.3m) contribution made to the investment during the year, which was funded by a €428,332 (2010: €2.1m) contribution received from the immediate parent company (see note 10).

**4 Employees**

The company has no direct employees (2010: nil) and €nil staff costs (2010: €nil). The Directors' emoluments during the year are €nil (2010: €nil).

**5 Other Interest receivable and similar income**

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Interest income on current account	117	-

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2011**

<b>6 Tax benefit on loss on ordinary activities</b>	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
<b>(a) Analysis of tax credit for the year</b>		
<b>Current taxation:</b>		
Group relief receivable	(1,385)	(30,742)
Adjustments in respect of prior periods	(298,858)	-
<b>Total current tax credit</b>	<b>(300,243)</b>	<b>(30,742)</b>
<b>Deferred tax</b>		
Adjustment in respect of previous periods	-	(1,005,151)
<b>Total deferred tax</b>	<b>-</b>	<b>(1,005,151)</b>
<b>Tax benefit on loss on ordinary activities</b>	<b>(300,243)</b>	<b>(1,035,893)</b>

**(b) Factors affecting tax credit for the year**

The tax credit assessed for the period is lower (2010 lower) than the standard rate of corporation tax in the UK of 26.5%. The differences are explained below

Loss on ordinary activities before tax	(512,097)	(8,370,885)
(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010 28%)	(135,706)	(2,343,848)
Effect of		
Expenses not deductible for tax purposes	134,321	2,313,104
Adjustments to tax charge in respect of previous periods	(298,858)	-
<b>Current tax benefit for the year</b>	<b>(300,243)</b>	<b>(30,742)</b>

**(c) Deferred Tax**

Deferred tax is included within provisions for liabilities and charges (note 9)

**Analysis of deferred tax**

Timing differences in respect of losses arising from XL BCM's partnership share

Deferred tax recognised	-	-
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**Reconciliation between movement for the year and year end balance.**

Balance at start of period	-	(1,005,151)
Deferred tax credit in profit and loss account for period	-	1,005,151
Balance at end of period	-	-

Historically the Company has carried a deferred tax liability in relation to its share of future taxable profits in Banquo LLP. Given that the Banquo LLP is now in an orderly wind down and the Company is not expecting any share of the partnership profits, the deferred tax liability has been released.

**(d) Factors affecting current and future tax charges:**

The main rate of UK corporation tax is 26.5% in 2011 (2010 28%). The March 2012 Budget announced a reduction in the main corporation tax rate to 24% from 1 April 2012 and a further 1% for each subsequent year for the next two years to 22% by April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2011**

**7. Debtors**

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Amounts owed by group undertakings	337,520	336,251
Corporation Tax	1,385	30,742
	<u>338,905</u>	<u>366,993</u>

The corporation tax debtor represents current year losses which will be surrendered to other group companies as group relief

**8. Creditors – amounts falling due within one year**

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
Amounts owed to group undertakings	(7,731)	(137,084)
Accrued expenses – audit fees and associated VAT	(12,900)	(9,795)
	<u>(20,631)</u>	<u>(146,879)</u>

**9 Called-up share capital**

	<b>2011</b>	<b>2010</b>
	<b>€</b>	<b>€</b>
<i>Issued, allotted and fully paid in the period</i>		
25,806,819 (2010 25,378,487) ordinary shares of £1 each	25,806,819	25,378,487

**10 Reconciliation of movement in total shareholder's funds**

	<b>Called up Share Capital</b>	<b>Profit and Loss Account</b>	<b>Total</b>
	<b>€</b>	<b>€</b>	<b>€</b>
Balance at 1 January 2011	25,378,487	(24,986,356)	392,131
Loss for the financial year	-	(211,853)	(211,853)
Subscription by parent	428,332	-	428,332
Balance at 31 December 2011	<u>25,806,819</u>	<u>(25,198,209)</u>	<u>608,610</u>
Balance at 1 January 2010	23,278,487	(17,651,364)	5,627,123
Loss for the financial year	-	(7,334,992)	(7,334,992)
Subscription by parent	2,100,000	-	2,100,000
Balance at 31 December 2010	<u>25,378,487</u>	<u>(24,986,356)</u>	<u>392,131</u>

**11. Parent undertaking**

The Company's immediate parent undertaking is XL Re Ltd, incorporated in Bermuda

The Company's ultimate parent undertaking is XL Group plc, a company incorporated in Ireland XL Group plc is the parent company of the smallest and largest group for which group financial statements are prepared and of which the company is a member Copies of the financial statements may be obtained from the registered office of the parent company at XL Group plc, 1 Hatch Street Upper, Dublin 2, Ireland