

Company Number 7681817

Lodestar Marine Limited

Report & Accounts

24 December 2012

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REPORT OF THE DIRECTORS

The Directors present their first annual report together with the financial statements of Lodestar Marine Limited ("the Company") for the period from incorporation on 24 June 2011 to 24 December 2012

Principal activity and review of business

The principal activity of Lodestar Marine Limited is to be a managing general agent. The Company manages insurance underwriting of P&I fixed premium for the RSA Group and several Lloyd's and London market insurers. The Company is an FSA Appointed Representative of Pro Insurance Solutions Limited, a subsidiary of the parent company, Tawa plc.

The Company was incorporated on the 24 June 2011 and commenced trading on the 10 September 2012.

The Company recorded a loss for the period of £4.7 million and the full results for the period are set out on page 6.

Dividends

During the year no dividends were proposed and paid to the ordinary shareholders. A charge of £0.04 million has been recognised in respect of the 5% fixed cumulative dividend due on the preference shares.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and will have adequate resources available through support from Tawa plc. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements.

Directors

The Directors of the Company who served throughout the period are listed on page 4.

Directors' indemnities

The Company is a beneficiary of insurance cover for its Directors and Officers against liabilities which may be incurred by them while acting as Directors and Officers. As at the date of this report, indemnities are in force under which the Company has agreed to indemnify its Directors and Officers, to the extent permitted by law and the Company's articles of association, against all costs, charges, losses, liabilities and expenses that they may incur in the execution of their duties, powers and offices as Directors and Officers of the Company. Copies of these indemnities are kept at the Company's registered office and are open for inspection by any members of the Company without charge.

Political and charitable contributions

The Company made no political or charitable donations during the period.

Risk management

In the ordinary course of business, the Company is exposed to, and manages, a variety of risks.

- As a Managing Agent the majority of risks to the Company's future cash flows relate to income arising from management of the fixed premium P&I portfolio. The risks to the Company arise from the level of commission receivable, which will largely be governed by the future size and profitability of the portfolio. If the results are not considered adequate, potential income to the Company may be reduced. Any losses suffered by the portfolio will potentially reduce the security made available to the Company in future years.
- The insurance risks faced by the providers of security include the occurrence of catastrophic events, downward pressure on pricing of risks, reductions in business volumes, disputes with reinsurers and inadequate reserving.
- Financial, currency risks. The Company transacts business in US dollars. Transactional exposure arises where revenue is denominated in currencies other than sterling but operating expenses are almost entirely sterling denominated. All trading balances are held on the balance sheet of Pro Insurance Solutions Limited who does not currently hedge the value of future cashflows because of the uncertainty of timing of future cashflows.

The management of risk is fundamental to the Company, with the Board having responsibility for the overall system of internal control and for reviewing its effectiveness. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, any system can provide only reasonable and not absolute assurance against material misstatement or loss.

The Company has processes for identifying, evaluating and managing the significant risks faced by the Company. These processes have been in place for the whole of the period and have continued up to the date this document was approved.

REPORT OF THE DIRECTORS (CONTINUED)**Auditor**

The Directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all 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 auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Mazars LLP were appointed during the period, appropriate arrangements have been put in place for the auditor to be deemed to be reappointed as auditor in the absence of an Annual General Meeting.

Statement of Directors' responsibilities

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

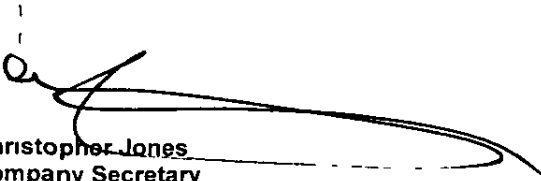
Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company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

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, 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 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. Under applicable law, the Directors are also responsible for preparing a Report of the Directors that complies with that law.

By order of the Board

Christopher Jones
Company Secretary
21 March 2013

CORPORATE INFORMATION

Directors

G M J Erulin – Chairman (appointed 18 July 2012, Chairman effective 18 October 2012)
D A Vaughan – Chief Executive Officer (appointed 23 May 2012, Chief Executive Officer effective 13 August 2012)
S L Byrne (appointed 12 July 2012)
H C Evans (appointed 9 July 2012)
T D Page (appointed 26 September 2011, resigned 23 May 2012)
N G Denniston (appointed 24 June 2011, resigned 26 September 2011)

Head Office & Registered Office

The Isis Building
193 Marsh Wall
London
E14 9SG

Auditor

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

Principal Bankers

Barclays Bank plc
1 Churchill Place
Canary Wharf
London E14 5HP

Registered Number 07681817

Company Secretary

C H E Jones FCIS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LODESTAR MARINE LIMITED

We have audited the financial statements of Lodestar Marine Limited for the period from 24 June 2011 to 24 December 2012 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 auditor

As explained more fully in the Statement of Directors' Responsibilities 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. 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 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 members as a body for our audit work, for this report, or for the opinions 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 web-site 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 24 December 2012 and of its loss for the period 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 Report of the Directors 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.



Sam Porritt (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

21 March 2013

PROFIT AND LOSS ACCOUNT*For the period ended 24 December 2012*

		Period from 24 Jun 2011 to 24 Dec 2012
	Notes	£
Turnover	3	202,974
Administrative expenses		(4,934,507)
Operating loss	4	(4,731,533)
Other income		37,373
Finance costs	5	(39,932)
Loss on ordinary activities before taxation		(4,734,092)
Taxation	8	-
Loss for the financial period	12	(4,734,092)

All amounts relate to continuing activities

There were no recognised gains or losses other than those included in the profit and loss account for the current and prior years and therefore no separate statement of total recognised gains and losses has been presented

The notes on pages 8 to 12 form part of these financial statements

BALANCE SHEET*As at 24 December 2012*

		24 Dec 2012
	Notes	£
Current assets		
Cash at bank and in hand		883
		<u>883</u>
Creditors		
Creditors amounts falling due within one year	10	<u>(4,734,075)</u>
Net current liabilities		<u>(4,733,192)</u>
Capital and reserves		
Called up share capital	11	900
Profit and loss account	12	<u>(4,734,092)</u>
Shareholders' deficit		<u>(4,733,192)</u>

The notes on pages 8 to 12 form part of these financial statements

The financial statements of Lodestar Marine Limited (07681817) were approved by the Board of Directors and authorised for issue on 18 March 2013 and were signed on its behalf on 21 March 2013 by



D A Vaughan
Director

NOTES TO THE ACCOUNTS

1 Basis of preparation

These accounts are prepared under the historical cost convention, and in accordance with applicable law and UK accounting standards

The Company has not presented a cash flow statement under exemptions available in - Financial Reporting Standard 1 Cash flow statements (revised 1996) paragraph 5a

Going concern

The Company's activities, together with the factors likely to affect its future development, performance and position are set out in the Report of the Directors on page 2. In addition the section on Risk Management includes an analysis of the risks the Company faces and its policies for mitigating those risks

The Directors have a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

The Company receives support from its parent, Tawa plc. The Company has no liquidity issues as, for all expenses due during the year, Tawa plc has provided support and made the payments on behalf of the Company via an inter company account. The Directors are satisfied that Tawa plc has sufficient resources to support the Company for the foreseeable future and has given its assurance via a letter of support that it will continue to provide this support. The net current liabilities entirely relate to an inter company creditor held within the Tawa group. Tawa plc has confirmed that it will not demand payment until the Company has resources to repay this amount. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and accounts. As of this date, there are no post balance sheet events to suggest any going concern issues

2 Accounting policies

A summary of the principal accounting policies, which have been applied consistently, unless otherwise stated, are set out below

a) Turnover

Turnover comprises commissions for services provided. Insurance commission is recognised in full in the month when the policy is inception. Commission for policies written prior to balance sheet date but incepting after the balance sheet date is deferred until the inception date. Where there is an expectation of future servicing requirements, a proportion of income is deferred to cover the associated obligations under the policy contract

b) Debtors and creditors

All client transactions are processed through the books of Pro Insurance Solutions Ltd. The Company therefore does not record fiduciary balances for cash, debtors and creditors as these are recorded in the books of Pro Insurance Solutions Ltd

c) Foreign currencies

Transactions in foreign currencies are translated using the rates of exchange ruling at the date the transaction occurs. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at rates of exchange prevailing at the balance sheet date. Any gains or losses arising on translation are included in the profit and loss account

d) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The charge for taxation is based on the profit for the year and takes into account deferred taxation. Deferred taxation is provided in full on timing differences between the recognition of gains and losses in the financial statements and the recognition for taxation purposes. Deferred taxation liabilities are provided in relation to transactions that have occurred by the balance sheet date. Deferred taxation assets are recognised when it is considered that the benefit is more likely than not to accrue to the Company. Deferred tax is measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse based on the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

e) Preference Shares

Preference shares have been presented as a liability where the Company is contractually obliged to repay the principal amount. Dividends on preference shares are charged to the profit and loss account as a finance cost, where the dividend payment is not at the discretion of the Company.

3. Segmental reporting**24 Dec 2012**

	£
Geographical analysis of turnover by source of business	
Europe	98,665
Asia	74,123
Rest of the World	26,315
North America	3,871
	<u>202,974</u>

4 Operating Loss**24 Dec 2012**

	£
The operating loss is stated after charging	
Audit fees	3,500
Non-recurring legal and professional fees	<u>1,894,633</u>
	<u>1,898,133</u>

Amounts payable to Mazars LLP, and their associates, by the Company in respect of non-audit services were £nil. Audit fees are payable to the Company's auditor in respect of the audit of the Company's annual accounts. Significant non-audit services require pre-approval by the Audit Committee of Tawa plc.

5 Finance costs

Finance costs have been recognised in respect of the 5% cumulative preference dividend due on the preference shares in issue.

6 Staff numbers and costs**24 Dec 2012**

	£
Salaries	1,538,735
Social security costs	149,212
Pension costs	<u>145,349</u>
	<u>1,833,296</u>

The average number of persons, including executive directors, employed by the Company during was

24 Dec 2012

	Number
Underwriting	7
Claims	3
Management	<u>2</u>
	<u>12</u>

7 Directors' emoluments**24 Dec 2012**

£

All Directors

Aggregate emoluments

27,600

27,600**Highest paid Director**

Aggregate emoluments

27,600

27,600**8 Taxation****24 Dec 2012**

£

Current tax

UK corporation tax on income for the period

Adjustments in respect of prior periods

Total current tax

-

-

-**24 Dec 2012**

£

Loss on ordinary activities before tax

4,734,092

Tax on loss on ordinary activities at UK corporation tax rate of 25.00%

1,183,523

Effects of

Expenses not deductible for tax purposes

(59,123)

Movement in tax loss carried forward

(1,124,400)

Total current tax-

There is an unrecognised deferred tax asset of £1.1 million in respect of losses that has not been recognised as it is not certain that the Company will be able to realise this asset by generating sufficient future taxable profits

9 Rates of exchange

The rates of exchange used to translate items denominated in foreign currency at the balance sheet date relative to US\$1 for significant currencies are as follows

24 Dec 2012

Euros

£0.81

United States

£0.62

10 Creditors – amounts falling due within one year

24 Dec 2012

£

Amounts due to group companies	784,734
Preference shares	3,939,192
Accruals and deferred income	10,149
	<u>4,734,075</u>

3,939,192 £1 redeemable cumulative shares were issued on 18 October 2012

The preference shares are redeemable at the option of the holder after 31 December 2012 and attract a fixed cumulative dividend of 5%, they are accordingly presented as a current liability and excluded from called up share capital in the balance sheet. The shares do not carry voting rights.

Included in amounts owed to group companies are preference share dividend arrears of £39,932 relating to the period since issue to 31 December 2012.

11 Share capital

24 Dec 2012

Called up share capital

Class of share	Number of shares allotted and issued	Value of each share £	Total Value £
Ordinary A shares	100	0.1	10
Ordinary B shares	<u>8,900</u>	0.1	<u>890</u>
	<u>9,000</u>		<u>900</u>

Ordinary A shares, carry one vote per share and carry a right to dividends. Ordinary B shares, do not carry any rights to voting but do carry a right to dividends.

On 24 June 2011 one £1 Ordinary share was issued. On 18 October 2012 this was subdivided into ten 10p shares and reclassified as Ordinary A shares. The remaining 90 Ordinary A shares and 8,900 Ordinary B shares were issued on 18 October 2012.

12 Reconciliation of movement in shareholders' deficit

	Called up share capital £	Profit and loss account £	Total £
At 24 June 2011	-	-	-
Equity shares issued in period	900	-	900
Retained loss for the period	-	(4,734,092)	(4,734,092)
At 24 December 2012	<u>900</u>	<u>(4,734,092)</u>	<u>(4,733,192)</u>

13 Related party transactions

The following have been identified as related parties of the Company for the period to 24 December 2012:

- (i) Tawa plc, the UK group parent company and immediate parent company
- (ii) Pro Insurance Solutions Limited, the group service provider

During the period Tawa plc and Pro Insurance Solutions Limited have provided funding of £4.4m and £0.3m respectively, and Pro Insurance Solutions Limited has provided services to value of £0.3m.

Related party outstanding creditor balances at the balance sheet date consist of

	24 Dec 2012
	£
Tawa plc	4,433,513
Pro Insurance Solutions Limited	<u>290,413</u>
	<u>4,723,926</u>

The amount above due to Tawa plc includes £3,939,192 in respect of preference share capital

14. Parent company

In the opinion of the Directors, the ultimate parent company and ultimate controlling party is Financière Pinault S C A , a Société en commandite par actions incorporated in France. Copies of the group financial statements of Financière Pinault S C A may be obtained from the Tribunal de Commerce de Paris, 1 Quai de Corse, 75004, Paris, France. The parent undertaking of the smallest group which includes the Company and for which group accounts are prepared is Tawa plc, a company incorporated in Great Britain. Copies of the financial statements of Tawa plc are obtainable from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.