

Registered Number 3641073

WIESCO LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2012



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WIESCO LIMITED**DIRECTORS AND ADVISERS****Directors**

C H Wiese
C Wiese

Company Secretary

Argenta Secretariat Limited

Registered Office

Fountain House
130 Fenchurch Street
London EC3M 5DJ

Bankers

Butterfield Private Bank
99 Gresham Street
London EC2V 7NG

Auditor

PKF Littlejohn LLP
Statutory Auditor
1 Westferry Circus
Canary Wharf
London E14 4HD

The Directors have pleasure in presenting their Report together with the Financial Statements for the year ended 31 December 2012

Results and Dividends

The results for the year are set out on pages 8 and 9 of the Financial Statements. No dividends were declared and paid in the year. The Directors do not recommend the payment of a final dividend.

Review of the Business

The principal activity of the Company in the period under review was that of a corporate underwriting member of Lloyd's.

The Financial Statements incorporate the annual accounting results of the syndicates on which the Company participates for the 2010, 2011 and 2012 years of account.

The annual accounting technical result for the year is a profit of £917,081 (2011 – loss of £127,584).

The lack of any major catastrophe losses has seen the company record a strong annual accounting result.

The 2010 year closed at 31 December 2012 with a profit, net of any calendar year run-off movements of £350,727 (2009 profit - £1,374,120). The 2011 and 2012 open underwriting account will normally close at 31 December 2013 and 2014.

In addition Note 22 describes the settlement with HMRC over additional tax liabilities relating to the years ended 31 December 2008 to 31 December 2011.

Future Developments

The Company continues to write insurance business in the Lloyd's insurance market as a corporate underwriting member of Lloyd's. The capacity being underwritten on the 2013 year of account is £7,631,520 an increase of £578,763 (8.2%) compared to the 2012 year of account.

Key Performance Indicators

The Directors consider the following to be the key performance indicators of the Company:

	2012	2011	Change
Capacity (youngest underwriting year)	7,053,757	6,966,000	1.3%
(Loss) after tax	(22,377)	(650,821)	96.6%
Underwriting profit of latest closed pure year	350,727	1,374,120	(74.5)%
as a % of capacity	5.0%	20.4%	(75.6)%

Other Performance Indicators

As a result of the nature of this Company as a Lloyd's Corporate Member the majority of its activities are carried out by the Syndicates in which it participates. The company is not involved directly in the management of the Syndicate's activities, including employment of Syndicate staff, as these are the responsibility of the relevant Managing Agent. Each Managing Agent will also have responsibility for the environmental activities of each Syndicate, although by their nature insurers do not produce significant environmental emissions. As a result, the Directors of the Company do not consider it appropriate to monitor and report any performance indicators in relation to staff or environmental matters.

Risk Management

As a corporate member of Lloyd's the majority of the risks to this company's future cash flows arise from its participation in the results of Lloyd's syndicates. As detailed below, these risks are mostly managed by the Managing Agent of the syndicate. This company's role in managing this risk in conjunction with its Members' Agent is limited to selection of syndicate participations and monitoring performance of the syndicates. The Company seeks to achieve a balance of risk and reward in the portfolio of syndicates it chooses to support.

Syndicate risks

The trading activities of a syndicate expose it to a variety of financial and non-financial risks. The Managing Agent is responsible for managing the syndicate's exposure to these risks and, where possible, introducing controls and procedures that mitigate the effects of the exposure to risk. For the purposes of setting capital requirements for the 2013 year of account Lloyd's introduced the Lloyd's Capital Return ("LCR") which replaced the Individual Capital Assessment ("ICA"). Each Managing Agent prepares a LCR for the syndicate, the purpose of this being to agree capital requirements with Lloyd's based on an agreed assessment of the risks impacting the syndicate's business, and the measures in place to manage and mitigate those risks from a quantitative and qualitative perspective. The risks described below are typically reflected in the LCR, and typically the majority of the total assessed value of the risks concerned is attributable to Insurance Risk.

The insurance risks faced by a syndicate include the occurrence of catastrophic events, downward pressure on pricing of risks, reductions in business volumes and the risk of inadequate reserving. Reinsurance risks arise from the risk that a reinsurer fails to meet their share of a claim. The management of the syndicate's funds is exposed to risks of investment, liquidity, currency and interest rates leading to financial loss. The syndicate is also exposed to regulatory and operational risks including its ability to continue to trade. However, supervision by Lloyd's and the Prudential Regulation Authority provide additional controls over the syndicate's management of risks.

The company manages the risks faced by the syndicates on which it participates in conjunction with its Members' Agent by monitoring the performance of the syndicates it supports. This commences in advance of committing to support a syndicate for the following year, with a review of the business plan prepared for each syndicate by its Managing Agent. In addition quarterly reports and annual accounts together with any other information made available by the Managing Agent are monitored and if necessary enquired into. If the company or Members' Agent considers that the risks being run by the syndicate are excessive it will seek confirmation from the Managing Agent that adequate management of the risk is in place and if considered appropriate will withdraw support from the next underwriting year.

Investment and currency risks

The other significant risks faced by the company are with regard to the investment of the available funds within its own custody. The elements of these risks are investment risk, liquidity risk, currency risk and interest rate risk. To mitigate this, the surplus company funds are invested in the Money Market. The main liquidity risk would arise if a syndicate had inadequate liquid resources for a large claim and sought funds from the company to meet the claim. In order to minimise investment, credit and liquidity risk the company's funds are invested in readily realisable money market deposits. The Company does not use derivative financial instruments to manage either its interest rate risk or its currency risk and, as such, no hedge accounting is applied.

Regulatory Risks

The company is subject to continuing approval by Lloyd's to be a member of a Lloyd's syndicate. The risk of this approval being removed is mitigated by monitoring and fully complying with all requirements in relation to membership of Lloyd's. The capital requirements to support the proposed amount of syndicate capacity for future years are subject to the requirements of Lloyd's. A variety of factors are taken into account by Lloyd's in setting the capital requirements including market conditions and syndicate performance and although the process is intended to be fair and reasonable the requirements can fluctuate from one year to the next, which may constrain the volume of underwriting the company is able to support.

Operational Risks

As there are relatively few transactions actually undertaken by the company there are only limited systems and staffing requirements of the company and therefore operational risks are not considered to be significant. Close involvement of all directors in the company's key decision making and the fact that the majority of the company's operations are conducted by syndicates provides control over any remaining operational risks.

Directors

The Directors of the Company in office during the year were as follows:

C H Wiese
C Wiese

Disclosure of Information to the Auditor

In the case of each of the persons who are Directors at the time this report is approved, the following applies:

- (a) So far as the Directors are aware, there is no relevant audit information of which the company's auditor is unaware, and
- (b) They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

PKF Littlejohn LLP, formerly named Littlejohn LLP, has signified its willingness to continue in office as auditor.

By Order of the Board


C H Wiese (Director)

Date

19 Sept 2013

Statement of Directors' Responsibilities

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

- select suitable Accounting Policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable 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 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.

Independent Auditor's Report to the Shareholders of Wiesco Limited

We have audited the Financial Statements of Wiesco Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Accounting Policies 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).

This report is made solely to the Company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities, the Company's Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances, and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Report of the Directors 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 2012 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 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.

NA Coulson

Neil Coulson (Senior statutory auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor
Date 19 September 2013

1 Westferry Circus
Canary Wharf
London E14 4HD

WIESCO LIMITED
PROFIT AND LOSS ACCOUNT
Year Ended 31 December 2012
TECHNICAL ACCOUNT - GENERAL BUSINESS

	Note	2012	2011
Gross Premiums Written	1	6,701,096	6,244,757
Outward reinsurance premiums		(1,098,810)	(1,002,468)
Net Premiums Written		5,602,286	5,242,289
Change in the provision for unearned premiums			
Gross provision		(223,792)	(77,679)
Reinsurers' share		24,007	(32,067)
Earned Premiums, Net of Reinsurance		5,402,501	5,132,543
Allocated Investment Return Transferred from the Non-Technical Account		240,645	133,559
Claims Paid			
Gross amount		(3,240,309)	(3,464,889)
Reinsurers' share		519,191	615,008
Net claims paid		(2,721,118)	(2,849,881)
Change in Provision for Claims			
Gross amount		178,934	(814,420)
Reinsurers' share		(71,290)	107,788
Net change in provision for claims		107,644	(706,632)
Claims Incurred, Net of Reinsurance		(2,613,474)	(3,556,513)
Net operating expenses	3	(2,112,591)	(1,837,173)
Balance on Technical Account for General Business		£917,081	£(127,584)

All the amounts above relate to continuing operations

The Accounting Policies and Notes on pages 13 to 25 form part of these Financial Statements

WIESCO LIMITED**PROFIT AND LOSS ACCOUNT
Year Ended 31 December 2012****NON TECHNICAL ACCOUNT**

	Note	2012	2011
Balance on the General Business Technical Account		917,081	(127,584)
Investment income	4	301,271	330,332
Unrealised gains on investments		278,130	(78,153)
Investment expenses and charges	5	(104,580)	(111,623)
Unrealised losses on investments		(49,960)	(140,049)
Allocated investment return transferred to the general business technical account		(240,645)	(133,559)
Other income		193	-
Other charges		(632,721)	(649,291)
Profit/(Loss) on Ordinary Activities before Taxation	6	468,769	(909,927)
Tax on profit/(loss) on ordinary activities	7	(491,146)	259,106
(Loss) on Ordinary Activities after Taxation	13	<u>£(22,377)</u>	<u>£(650,821)</u>

All operations are continuing

The Company had no recognised gains and losses in the year other than the profit above

The Accounting Policies and Notes on pages 13 to 25 form part of these Financial Statements

		2012			2011		
	Note	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
ASSETS							
Intangible Assets							
Syndicate participation rights	8	-	16,933	16,933	-	38,985	38,985
Investments							
Financial investments	9	8,758,427	1,362,569	10,120,996	9,714,829	1,165,241	10,880,070
Deposits with ceding undertakings		3,555	-	3,555	3,557	-	3,557
		<u>8,761,982</u>	<u>1,362,569</u>	<u>10,124,551</u>	<u>9,718,386</u>	<u>1,165,241</u>	<u>10,883,627</u>
Reinsurers' Share of Technical Provisions							
Provision for unearned premiums		312,388	-	312,388	292,854	-	292,854
Claims outstanding		1,766,535	-	1,766,535	2,179,470	-	2,179,470
		<u>2,078,923</u>	<u>-</u>	<u>2,078,923</u>	<u>2,472,324</u>	<u>-</u>	<u>2,472,324</u>
Debtors							
Arising out of direct insurance operations							
Policyholders		11,196	-	11,196	7,724	-	7,724
Intermediaries		1,544,125	-	1,544,125	1,426,711	-	1,426,711
Arising out of reinsurance operations		1,186,197	-	1,186,197	1,334,700	-	1,334,700
Other debtors	10	788,409	1,297,069	2,085,478	1,247,282	1,891,891	3,139,173
		<u>3,529,927</u>	<u>1,297,069</u>	<u>4,826,996</u>	<u>4,016,417</u>	<u>1,891,891</u>	<u>5,908,308</u>
Other Assets							
Cash at bank and in hand	11	391,094	1,089,944	1,481,038	485,718	117,044	602,762
Other		609,948	-	609,948	875,110	-	875,110
		<u>1,001,042</u>	<u>1,089,944</u>	<u>2,090,986</u>	<u>1,360,828</u>	<u>117,044</u>	<u>1,477,872</u>
Prepayments and Accrued Income							
Accrued interest		24,351	-	24,351	29,699	-	29,699
Deferred acquisition costs		668,941	-	668,941	627,878	-	627,878
Other prepayments and accrued income		17,837	-	17,837	31,705	-	31,705
		<u>711,129</u>	<u>-</u>	<u>711,129</u>	<u>689,282</u>	<u>-</u>	<u>689,282</u>
Total Assets		<u>£16,083,003</u>	<u>£3,766,515</u>	<u>£19,849,518</u>	<u>£18,257,237</u>	<u>3,213,161</u>	<u>£21,470,398</u>

The Accounting Policies and Notes on pages 13 to 25 form part of these Financial Statements

		2012			2011		
	Note	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
LIABILITIES AND SHAREHOLDERS' FUNDS							
Capital and Reserves							
Called-up share capital	12	-	500	500	-	500	500
Share Premium Account		-	-	-	-	-	-
Profit and Loss Account	13	190,945	2,826,271	3,017,216	647,844	2,391,749	3,039,593
Total Shareholders' Funds	14	<u>190,945</u>	<u>2,826,771</u>	<u>3,017,716</u>	<u>647,844</u>	<u>2,392,249</u>	<u>3,040,093</u>
Technical Provisions							
Provision for unearned premiums		2,676,226	-	2,676,226	2,521,679	-	2,521,679
Claims outstanding - gross amount		11,067,704	-	11,067,704	12,813,863	-	12,813,863
		<u>13,743,930</u>	<u>-</u>	<u>13,743,930</u>	<u>15,335,542</u>	<u>-</u>	<u>15,335,542</u>
Provisions for Other Risks							
Deferred Taxation	15	-	423,861	423,861	-	484,000	484,000
Deposits Received from Reinsurers		1,648	-	1,648	2,220	-	2,220
Creditors							
Arising out of direct insurance operations		299,014	-	299,014	484,588	-	484,588
Arising out of reinsurance operations		812,600	-	812,600	676,280	-	676,280
Amounts owed to credit institutions		-	-	-	-	-	-
Other creditors	16	949,896	511,763	1,461,659	995,139	11,018	1,006,157
		<u>2,061,510</u>	<u>511,763</u>	<u>2,573,273</u>	<u>2,156,007</u>	<u>11,018</u>	<u>2,167,025</u>
Accruals and Deferred Income		84,970	4,320	89,290	115,624	325,894	441,518
Total Liabilities		<u>£16,083,003</u>	<u>£3,766,515</u>	<u>£19,849,518</u>	<u>£18,257,237</u>	<u>£3,213,161</u>	<u>21,470,398</u>

Approved by the Board on

C H Wiese (Director)

The Accounting Policies and Notes on pages 13 to 25 form part of these Financial Statements



WIESCO LIMITED

CASH FLOW STATEMENT
Year Ended 31 December 2012

	Note	2012	2011
Net Cash Inflow/(Outflow) from Operating Activities	17	442,003	510,129
Returns on Investments and Servicing of Finance			
Interest received		835	1,666
Interest paid		-	-
Net Cash Inflow from Returns on Investments and Servicing of Finance		835	1,666
Taxation			
Corporation Tax (paid)/recovered		(39,504)	(265,183)
Overseas Taxation (paid)/recovered		(11,236)	(58,975)
Taxation paid		(50,740)	(324,158)
Capital Expenditure and Financial Investment			
Purchase of syndicate participations rights		(7,192)	(4,315)
Proceeds from sale of syndicate participations rights		7,430	-
Net Cash Inflow/(Outflow) from Capital Expenditure and Financial Investment		238	(4,315)
		392,336	183,322
Equity Dividends Paid		-	-
Net Cash Inflow/(Outflow) before Financing		392,336	183,322
Financing			
Funds (repaid)/lent to the Company by the Shareholders to meet expenses and cash calls		594,511	(157,552)
Net Cash Inflow/(Outflow) from Financing		594,511	(157,552)
Net Cash Inflow/(outflow) In the year		<u>£986,847</u>	<u>£25,770</u>
Cash flows were invested as follows			
Increase/(decrease) in cash holdings		972,900	(722,958)
Net investment		13,947	748,728
Net Investment of cash flows		<u>£986,847</u>	<u>£25,770</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 13 to 25 form part of these Financial Statements

Accounting Policies**Basis of Preparation**

The Financial Statements are prepared under the historical cost basis of accounting modified to include the revaluation of investments, and comply with applicable Accounting Standards

The Company participates in insurance business as an underwriting member of various Syndicates at Lloyd's

The Financial Statements have been prepared in accordance with Section 396(3) of the Companies Act 2006, Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2011 and the recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 2005, as amended in December 2006 except that exchange differences arising on Syndicate assets and liabilities are dealt with in the technical account as all of these differences arise from technical account transactions

Accounting information in respect of the Syndicate participations has been provided by the Syndicate's managing agent and has been reported upon by the Syndicate's auditor

Going Concern

The Company's business 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 3. In addition, the Report of the Directors includes the Company's objectives, policies and processes for managing the majority of the risk to the company's future cash flows

The Company has positive net assets at 31 December 2012 and continues to participate on the 2011 and 2012 underwriting years of account, which will normally close at 31 December 2013 and 2014 respectively, and has continued this participation since the year end on the 2013 year of account. The 2011 underwriting year is anticipated to be profitable with future cash distributions to be made from Lloyd's of London. As a consequence, the Directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook

The Directors have a reasonable expectation that the company has adequate resources to meet its underwriting and other operational obligations for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual Financial Statements

Basis of Accounting

The Financial Statements are prepared under 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 or loss from providing insurance coverage during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods

Amounts reported in the General Business Technical Account relate to the movements in the calendar year in respect of all relevant years of account of the Syndicates on which the Company participates

Assets and liabilities arising as a result of the underwriting activities are mainly controlled by the Syndicates' managing agents. Accordingly, these assets and liabilities have been shown separately in the balance sheet as "Syndicate Participation". Other assets and liabilities are shown as "Corporate". The syndicate assets are held subject to trust deeds for the benefit of the Syndicates' insurance creditors

The information included in these Financial statements in respect of the Syndicates has been supplied by Managing Agents based upon the various accounting policies they have adopted. The following describes the policies they have generally adopted

General Business**I Premiums**

Premiums written comprise the total premiums receivable in respect of business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the syndicates on which the Company participates, less an allowance for cancellations. All premiums are shown gross of commission payable to intermediaries and exclude taxes and duties levied on them.

II Unearned Premiums

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

III Deferred Acquisition Costs

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

IV Reinsurance Premiums

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

V Claims Incurred and Reinsurers' Share

Claims incurred comprise claims and settlement expenses (both internal and external) occurring in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and settlement expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

The provision for claims outstanding comprises amounts set aside for claims notified and claims incurred but not yet reported (IBNR). The amount included in respect of IBNR is based on statistical techniques of estimation applied by each syndicate's in-house reserving team and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to each syndicate's reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. Each syndicate uses a number of statistical techniques to assist in making these estimates.

Accordingly the two most critical assumptions made by each syndicate's managing agent as regards 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 including pricing models for recent business are reasonable indicators of the likely level of ultimate claims to be incurred.

v Claims Incurred and Reinsurers' Share (continued)

The level of uncertainty with regard to the estimations within these provisions generally decreases with time since the underlying contracts were exposed to new risks. In addition the nature of short tail claims such as property where claims are typically notified and settled within a short period of time will normally have less uncertainty after a few years than long tail risks such as some liability business where it may be several years before claims are fully advised and settled. In addition to these factors if there are disputes regarding coverage under policies or changes in the relevant law regarding a claim this may increase the uncertainty in the estimation of the outcomes.

The assessment of these provisions is usually the most subjective aspect of an insurer's accounts and may result in greater uncertainty within an insurer's accounts than within those of many other businesses. The provisions for gross claims and related reinsurance recoveries have been assessed on the basis of the information currently available to the directors of each syndicate's managing agent. 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 the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The provisions are not discounted for the investment earnings that may be expected to arise in the future on the funds retained to meet the future liabilities. The methods used, and the estimates made, are reviewed regularly.

vi Unexpired Risks Provision

Provisions for unexpired risks are made where the costs of outstanding claims, related expenses and deferred acquisition costs are expected to exceed the unearned premium provision carried forward at the balance sheet date. The provision for unexpired risks is calculated separately by reference to classes of business which are managed together, after taking into account relevant investment return. The provision is made on a syndicate by syndicate basis by the relevant managing agent.

vii Closed Years of Account

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

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

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

viii Run-off Years of Account

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

ix Net Operating Expenses (Including Acquisition Costs)

Net operating costs include acquisition costs, profit and loss on exchange and other amounts incurred by the syndicates on which the Company participates

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the Balance Sheet date

x Distribution of Profits and Collection of Losses

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

xi Investments

Investments are stated at current value, including accrued interest at the Balance Sheet date

xii Investment Return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses and charges

Realised and unrealised gains and losses are measured by reference to the original cost of the investment if purchased in the year, or if held at the beginning of the year by reference to the current value at that date

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting the underwriting business

xii Basis of Currency Translation

Syndicates maintain separate funds in sterling, United States dollars, Canadian dollars and Euros

Income and expenditure in US dollars, Canadian dollars and Euros is translated at the average rate of exchange for the year. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed

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

All differences arising on the translation of foreign currency amounts in syndicates are included in the technical account within net operating expenses irrespective of their treatment by the underlying syndicates. The underlying syndicates have adopted different accounting policies including the non-retranslation of non-monetary items by some and retractions to year end values within the Statement of Recognised Gains and Losses by others

ix Debtors/Creditors arising from Insurance/reinsurance operations

The amounts shown in the balance sheet include the totals of all the Syndicates outstanding debit and credit transactions as processed by the Lloyd's central facility, no account has been taken of any offsets which may be applicable in calculating the net amounts due between the Syndicates and each of their counterparty insureds, reinsurers or intermediaries as appropriate

Taxation

The company is taxed on its results including its share of underwriting results declared by the 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 are only declared for tax purposes in the calendar year following the normal closure of the year of account. No provision is made for corporation tax in relation to open years of account. However, full provision is made for deferred tax on underwriting results not subject to current corporation tax.

The taxable results of the syndicates at a syndicate level are calculated by the managing agent and computations submitted to HM Revenue & Customs (HMRC). Any adjustments that may be necessary to the tax provisions established by the Company, as a result of any HMRC enquiry into these computations, will be reflected in the financial statements of subsequent periods.

Deferred Taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax assets and liabilities have not been discounted.

Intangible Assets

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

Cash Flow Statement

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

1 Class of Business

	Gross written premiums	Gross premiums earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
2012						
Direct						
Accident and health	340,267	351,246	(173,504)	(144,644)	1,105	34,203
Motor (third party liability)	12,968	16,947	9,615	(5,615)	30	20,977
Motor (other classes)	507,321	426,583	(297,366)	(152,434)	3,088	(20,129)
Marine, aviation and transport	991,854	956,057	(328,488)	(322,389)	(48,261)	256,919
Fire and other damage to property	1,676,596	1,614,038	(876,334)	(586,903)	(180,861)	(30,060)
Third party liability	879,529	881,404	(368,672)	(323,099)	(64,865)	124,768
Credit and suretyship	138,159	142,193	(22,191)	(50,985)	(25,587)	43,430
Legal expenses	18,404	18,138	(9,805)	(8,472)	96	(43)
Other	222,936	201,623	(98,041)	(88,861)	(17,384)	(2,663)
Total Direct	4,788,034	4,608,229	(2,164,786)	(1,683,402)	(332,639)	427,402
Reinsurance Business						
Reinsurance balance	1,913,062	1,869,075	(896,589)	(429,189)	(294,263)	249,034
Total Reinsurance	1,913,062	1,869,075	(896,589)	(429,189)	(294,263)	249,034
Total	£6,701,096	£6,477,304	£(3,061,375)	£(2,112,591)	£(626,902)	£676,436
2011						
Direct						
Accident and health	339,182	326,197	(184,433)	(132,652)	(19,804)	(10,692)
Motor (third party liability)	20,552	21,326	(11,034)	(7,526)	(1,286)	1,480
Motor (other classes)	351,102	216,416	(173,109)	(78,473)	(6,995)	(42,161)
Marine, aviation and transport	925,965	909,725	(341,705)	(284,787)	(42,538)	240,695
Fire and other damage to property	1,494,845	1,502,176	(761,244)	(509,520)	(158,556)	72,856
Third party liability	799,079	829,097	(535,536)	(284,411)	(115,495)	(106,345)
Credit and suretyship	168,738	162,195	(81,116)	(50,076)	(3,640)	27,363
Legal expenses	18,553	14,052	(4,819)	(8,046)	(253)	934
Other	188,497	193,859	(51,138)	(92,021)	(44,308)	6,392
Total Direct	4,306,513	4,175,043	(2,144,134)	(1,447,512)	(392,875)	190,522
Reinsurance Business						
Reinsurance balance	1,938,244	1,992,035	(2,135,175)	(389,661)	81,136	(451,665)
Total Reinsurance	1,938,244	1,992,035	(2,135,175)	(389,661)	81,136	(451,665)
Total	£6,244,757	£6,167,078	£(4,279,309)	£(1,837,173)	£(311,739)	£(261,143)

2 Geographical Analysis	2012	2011
Direct Gross Premium Written in		
United Kingdom	4,788,034	4,306,513
Other EU Member States	-	-
Rest of the World	-	-
	<u>£4,788,034</u>	<u>£4,306,513</u>
3 Net Operating Expenses	2012	2011
Acquisition costs	1,669,087	1,514,007
Change in deferred acquisition costs	(60,198)	(4,796)
Administrative expenses	563,777	481,594
(Profit)/loss on exchange	62,569	(29,315)
Reinsurers commissions and profit participations	(122,644)	(124,317)
	<u>£2,112,591</u>	<u>£1,837,173</u>
4 Investment Income	2012	2011
Income from investments	255,124	286,610
Realised gains on investments	45,312	42,055
Bank Deposit Interest	835	1,666
	<u>£301,271</u>	<u>£330,332</u>
5 Investment Expenses and Charges	2012	2011
Investment management expenses	16,826	16,157
Losses on the realisation of investments	87,754	95,466
	<u>£104,580</u>	<u>£111,623</u>
6 Profit/(Loss) on Ordinary Activities before Taxation	2012	2011
This is stated after charging/(crediting)	£	£
Fees payable to the company's auditor for		
- audit of the financial statements	1,300	1,200
- taxation services	800	800
- other services	1,200	1,100
Directors remuneration	-	-
Amortisation of syndicate capacity	18,773	17,335
(Profit)/loss on sale of syndicate capacity	3,041	-
Exchange (gain) or loss - Non Technical Account	22,012	67,320
Interest Payable	22,225	-
Charge for Funds at Lloyd's	549,352	549,352
	<u></u>	<u></u>
The Company has no employees		

7 Taxation	2012	2011
Analysis of Charge In Year		
Current tax		
UK Corporation Tax on profits of the year	202,244	38,033
Adjustments in respect of previous years (Note 22)	356,813	1
	<u>559,057</u>	<u>38,033</u>
Double taxation relief	(18,808)	(27,114)
	<u>540,249</u>	<u>10,919</u>
Foreign tax	11,236	58,975
Total current tax	<u>551,485</u>	<u>69,894</u>
Deferred tax		
Origination and reversal of timing differences	(21,619)	(268,778)
Effect of change in tax rate on opening liability or asset	(38,720)	(60,222)
Total deferred tax	<u>(60,339)</u>	<u>(329,000)</u>
Tax on profit / (loss) on ordinary activities	<u>£491,146</u>	<u>£(259,106)</u>

Factors Affecting Tax Charge for the Year

The tax assessed for the period is different to the standard rate of corporation tax

	2012	2011
Profit/(loss) on ordinary activities before tax	<u>£468,769</u>	<u>£(909,927)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 24.5% (2011 - 26.5%)	114,848	(241,131)
Effects of:		
Expenses not deductible for tax purposes	75,898	17,272
Timing differences arising on the taxation of the underwriting results	45,167	236,456
Other timing differences	(23,383)	34,798
Foreign tax	(7,572)	31,861
Adjustments in respect of previous periods (Note 22)	356,813	1
Trading losses carried forward/(utilised)	-	-
Marginal rate adjustment	-	-
Income not taxable	(10,286)	(9,363)
Current tax charge for year	<u>£551,485</u>	<u>£69,894</u>

Factors that may affect Future Tax Charges

The results of the Company's participation on the 2010, 2011 and 2012 years of account and the calendar year movement on 2009 and prior run-offs, will not be assessed to tax until the year ended 31 December 2013, 2014 and 2015 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. In addition, tax only Claims Equalisation Reserves (CER) may further affect the timing of the taxation of underwriting profits

The above charge for foreign taxes has been estimated after making provision for double taxation relief with the UK. However due to the differences of timings and tax rates some foreign taxes may ultimately not be fully recoverable

8 Intangible Assets

	Syndicate Participation Rights
Cost	
At 1 January 2012	300,453
Additions	7,192
Disposals	(12,110)
	<hr/>
At 31 December 2012	295,535
Amortisation	
At 1 January 2012	261,468
Charge for the year	18,773
Disposals	(1,639)
	<hr/>
At 31 December 2012	278,602
Net Book Value	
At 31 December 2012	<hr/> £16,933 <hr/>
At 31 December 2011	<hr/> £38,985 <hr/>

9 Investments**Other Financial Investments - Syndicate**

	2012		2011	
	Market Value	Cost	Market Value	Cost
Shares and other variable yield securities and units in unit trusts	906,060	894,715	1,053,517	1,047,132
Debt securities and other fixed income securities	7,157,197	7,046,203	8,060,486	8,129,225
Participation in investment pools	393,683	507,988	443,054	436,890
Loans secured by mortgage	63,287	62,608	70,022	70,490
Other Loans	48,986	48,972	61,440	61,056
Deposits with credit institutions	12,515	12,515	23,672	23,672
Overseas deposits	176,291	169,215	-	-
Other	408	176	2,638	2,381
	<hr/>	<hr/>	<hr/>	<hr/>
	£8,758,427	£8,742,392	£9,714,829	£9,770,846
	<hr/>	<hr/>	<hr/>	<hr/>
Listed investments included within the above	£8,456,940	£8,448,906	£9,557,057	£9,613,247
	<hr/>	<hr/>	<hr/>	<hr/>

Other Financial Investments - Corporate

Shares and other variable yield securities and units in unit trusts	1,362,569	1,838,410	1,165,241	1,804,933
	<hr/>	<hr/>	<hr/>	<hr/>
	£1,362,569	£1,838,410	£1,165,241	£1,804,933
	<hr/>	<hr/>	<hr/>	<hr/>
Listed investments included within the above	£1,362,569	£1,838,410	£1,165,241	£1,804,933
	<hr/>	<hr/>	<hr/>	<hr/>

10 Debtors

	2012			2011		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Related Party Loan Account	-	1,297,069	1,297,069	-	1,891,580	1,891,580
Other	788,409	-	788,409	1,247,282	311	1,247,593
	<u>£788,409</u>	<u>£1,297,069</u>	<u>£2,085,478</u>	<u>£1,247,282</u>	<u>£1,891,891</u>	<u>£3,139,173</u>

Other debtors includes ENIL (2011 - ENil) in respect of cash calls paid to Lloyd's syndicates

11 Cash at Bank and in hand

	2012			2011		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Lloyd's deposit	-	793,685	793,685	-	111,970	111,970
Cash at bank and in hand	391,094	296,259	687,353	485,718	5,074	490,792
	<u>£391,094</u>	<u>£1,089,944</u>	<u>£1,481,038</u>	<u>£485,718</u>	<u>£117,044</u>	<u>£602,762</u>

The Lloyd's deposit represents monies 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 the Corporation 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

	2012	2011
	Allotted, Called-up and Fully Paid	Allotted, Called-up and Fully Paid
500 Ordinary shares of £1 each	<u>£500</u>	<u>£500</u>

13 Profit and Loss Account

	2012		
	Syndicate Participation	Corporate	Total
Retained profit/(loss) brought forward	647,844	2,391,749	3,039,593
Transfer	(1,373,980)	1,373,980	-
Profit/(loss) for the financial year	917,081	(939,458)	(22,377)
Equity dividends paid and declared	-	-	-
	<u>£190,945</u>	<u>£2,826,271</u>	<u>£3,017,216</u>

14 Reconciliation of Movements in Shareholders' Funds

	2012	2011
Opening shareholders' funds	3,040,093	3,690,914
Profit / (loss) for the financial year	(22,377)	(650,821)
Equity dividends paid and declared	-	-
Closing shareholders' funds	£3,017,716	£3,040,093

15 Provision for Deferred Tax

	2012	2011
Liability/(asset) at start of year	484,000	813,000
Deferred tax charge/(credit) in Profit and Loss Account for year	(60,339)	(329,000)
Liability/(asset) at end of year	£423,661	£484,000

Analysis of Provision for Deferred Taxation

Timing differences arising from the taxation of the underwriting results	59,016	149,191
Claims Equalisation Reserves	315,951	303,416
Other timing differences	48,694	31,393
Tax losses carried forward	-	-
	£423,661	£484,000

Deferred tax has been provided at 23% (2011 25%)

16 Other Creditors

	2012			2011		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Other creditors	949,896	-	949,896	995,139	-	995,139
Corporation Tax	-	511,763	511,763	-	11,018	11,018
Related party loan account	-	-	-	-	-	-
	£949,896	£511,763	£1,461,659	£995,139	£11,018	£1,006,157

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

	2012	2011
Operating Profit/(Loss)	468,769	(909,927)
Interest and dividends received - non-technical account	(42,819)	(36,998)
Realised and unrealised profits and losses on corporate investments	(141,397)	170,051
Interest charged - non-technical account	-	-
Underwriting result in year	(917,081)	127,584
Closed Year result distributable in year	1,373,980	1,041,293
Increase / (Decrease) in creditors	(321,574)	101,102
(Increase) / Decrease in debtors	311	(311)
(Profit) / Loss on sale of capacity	3,041	-
Amortisation of syndicate capacity	18,773	17,335
Net cash Inflow / (Outflow) from operating activities	£442,003	£510,129

18 Movement in Cash and Portfolio Investments

	At 1 January 2011	Non-cash Transactions	Cash Flow	Changes to Market Values	At 31 December 2011
Cash at bank and in hand	117,044	-	972,900	-	1,089,944
Other portfolio investments	1,165,241	41,984	13,947	141,397	1,362,569
	£1,282,285	£41,984	£986,847	£141,397	£2,452,513

19 Funds at Lloyd's

In addition to the Funds held in the Lloyd's Deposit (Note 11) the Company's Lloyd's underwriting is supported by further amounts of £1,873,841 (2011 £1,873,838). These funds are also available to Lloyd's to meet the personal underwriting liabilities of the shareholders for underwriting years commencing prior to 1 January 1999.

20 Related Party Transactions

C H Wiese and C Wiese are Directors of the Company. During 2012 they and Myrtledare Corp have provided funding of £45,159 (2011 - £273,096) and made charges of £549,352 (2011 £549,352) for providing Funds at Lloyd's on behalf of the company. During 2012 £Nil (2011 - £980,000) was repaid and included within debtors at 31 December 2012 is £1,297,069 (2011 £1,891,580) which is due from Myrtledare Corp. This amount is shown separately in Notes 10 and 16 under Related party loan account. No interest has been charged on the amount outstanding.

As detailed in note 19 additional Funds at Lloyd's have been provided to support the company's underwriting. As part of an agreement for the continuation of this funding the company has agreed to pay a fee to Myrtledare Corp.

21 Ultimate Parent Undertaking

The ultimate parent undertaking is Myrtledare Corp a company registered in the British Virgin Islands that is owned by C H Wiese.

22 Additional corporation tax liabilities for years ended 2008 to 2012

HMRC opened an enquiry into the basis of the fee for the provision of FAL being paid to Myrtledare Corp for the year ended 31 December 2008 and subsequent years. The enquiry was closed on 12 June 2013 and it was agreed that the full amount of the fee for the provision of FAL for the years ended 31 December 2009 to 31 December 2011 would not be considered to be deductible for taxation purposes.

The restriction on the tax deductibility of the fee expense resulted in additional corporation tax liabilities for years ended 2009 to 2011 of £350,352 and interest. These liabilities are fully provided for in the accounts including allowance for a restriction on the deductibility of the FAL fee for the 2012 tax year. This liability was settled in full in 2013.

23 Syndicate Participation

Syndicate Managing Agent No.		Allocated capacity per underwriting year			
		2013 £'000	2012 £'000	2011 £'000	2010 £'000
33	Hiscox Syndicates Limited	998	998	945	1,050
218	Equity Syndicate Management Limited	450	450	300	-
308	R J Kiln & Company Limited	150	169	150	-
510	R J Kiln & Company Limited	1,040	1,040	950	950
557	R J Kiln & Company Limited	201	201	200	400
570	Atrium Underwriting Limited	-	-	723	723
609	Atrium Underwriting Limited	1,233	1,233	510	510
623	Beazley Furlong Limited	1,019	973	973	973
727	S A Meacock & Co Limited	650	650	650	759
779	Jubilee Managing Agency Limited	-	-	-	150
958	Omega Underwriting Agents Limited	-	-	-	-
2010	Cathedral Underwriting Limited	350	350	350	350
2791	Managing Agency Partners Limited	990	990	990	990
6103	Managing Agency Partners Limited	50	-	-	-
6104	Hiscox Syndicates Limited	150	-	-	-
6106	Amlin Underwriting Limited	100	-	225	187
6111	Catlin Underwriting Agency Limited	250	-	-	-
		£7,631	£7,054	£6,966	£7,042

In addition the company is still participating on the following syndicate

Syn No	Managing Agent	Allocated Capacity 2010
779	Jubilee Managing Agency Limited	£150,000

Technical Provisions – Run-off years of account

Certain syndicate years of account, representing £150,000 of capacity, on which the Company participated have not been closed at their normal date or subsequently

Whilst the Directors consider the technical provision for outstanding claims is the best estimate that can be made on the basis of information currently available, the estimate is subject to change for run-off syndicates. Further information may cause the estimate to be revised. The timing of the conclusions on these estimates is unknown. Accordingly the determination of the underwriting result for the year and any related provision for run-off account losses is fundamentally uncertain and the eventual result might be higher or lower.