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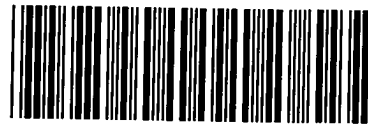
WIESCO LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2013

TUESDAY



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	Page
Directors and Advisers	2
Report of the Directors	3
Strategic Report	4 - 6
Statement of Directors' Responsibilities	7
Independent Auditor's Report	8
Profit and Loss Account	9 & 10
Balance Sheet	11 & 12
Cash Flow Statement	13
Accounting Policies	14 - 18
Notes to the Financial Statements	19 - 26

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 2013.

Results and Dividends

The results for the year are set out on pages 9 and 10 of the Financial Statements. No dividends were declared and paid in the year. The Directors do not recommend the payment of a final dividend.

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 has signified its willingness to continue in office as auditor.

By Order of the Board

C H Wiese (Director)

Date:

25 September 2014

The Directors have pleasure in presenting the Strategic Report together with the Financial Statements for the year ended 31 December 2013.

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 £1,018,755 (2012 – profit of £917,081)

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

The 2011 year closed at 31 December 2013 with a profit, net of any calendar year run-off movements of £561,383 (2010 profit - £350,727). The 2012 and 2013 open underwriting account will normally close at 31 December 2014 and 2015.

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 2014 year of account is £8,579,654 an increase of £948,134 (11%) compared to the 2013 year of account.

Key Performance Indicators

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

	2013	2012	Change
Capacity (youngest underwriting year)	7,631,390	7,053,757	8.2%
Profit / (Loss) after tax	657,988	(22,377)	3040.5%
Underwriting profit of latest closed pure year	561,383	350,727	60.1%
as a % of capacity	8.0%	5.0%	59.8%

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 2014 year of account the Lloyd's Capital Return ("LCR") was used. 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.

By Order of the Board



C.H. Wiese (Director)

Date: 25 September 2014

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Report of the Directors, the Strategic 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 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 2013 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 and the Strategic Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2013 and of its profit 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' and Strategic 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.

John Perry (Senior statutory auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

Date:

26 September 2014 8

1 Westferry Circus
Canary Wharf
London E14 4HD

TECHNICAL ACCOUNT - GENERAL BUSINESS

	Note	2013	2012
Gross Premiums Written	1	6,836,083	6,701,096
Outward reinsurance premiums		(1,151,650)	(1,098,810)
Net Premiums Written		5,684,433	5,602,286
Change in the provision for unearned premiums			
Gross provision		(92,037)	(223,792)
Reinsurers' share		30,753	24,007
Earned Premiums, Net of Reinsurance		5,623,149	5,402,501
Allocated Investment Return Transferred from the Non-Technical Account		86,701	240,645
Claims Paid			
Gross amount		(3,339,750)	(3,240,309)
Reinsurers' share		551,213	519,191
Net claims paid		(2,788,537)	(2,721,118)
Change in Provision for Claims			
Gross amount		653,953	178,934
Reinsurers' share		(261,817)	(71,290)
Net change in provision for claims		392,136	107,644
Claims Incurred, Net of Reinsurance		(2,396,401)	(2,613,474)
Net operating expenses	3	(2,294,694)	(2,112,591)
Balance on Technical Account for General Business		£1,018,755	£917,081

All the amounts above relate to continuing operations.

The Accounting Policies and Notes on pages 14 to 26 form part of these Financial Statements.

NON TECHNICAL ACCOUNT

	Note	2013	2012
Balance on the General Business Technical Account		1,018,755	917,081
Investment income	4	260,981	301,271
Unrealised gains on investments		376,021	278,130
Investment expenses and charges	5	(111,770)	(104,580)
Unrealised losses on investments		(108,403)	(49,960)
Allocated investment return transferred to the general business technical account		(86,701)	(240,645)
Other income		10,148	193
Other charges		(546,143)	(632,721)
Profit/(Loss) on Ordinary Activities before Taxation	6	812,888	468,769
Tax on profit/(loss) on ordinary activities	7	(154,900)	(491,146)
Profit/(Loss) on Ordinary Activities after Taxation	13	<u>£657,988</u>	<u>£(22,377)</u>

All operations are continuing.

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

		2013			2012		
	Note	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
ASSETS							
Intangible Assets							
Syndicate participation rights	8	-	8,186	8,186	-	16,933	16,933
Investments							
Financial investments	9	8,574,414	2,396,148	10,970,562	8,758,427	1,362,569	10,120,996
Deposits with ceding undertakings		4,434	-	4,434	3,555	-	3,555
		<u>8,578,848</u>	<u>2,396,148</u>	<u>10,974,996</u>	<u>8,761,982</u>	<u>1,362,569</u>	<u>10,124,551</u>
Reinsurers' Share of Technical Provisions							
Provision for unearned premiums		341,516	-	341,516	312,388	-	312,388
Claims outstanding		1,557,398	-	1,557,398	1,766,535	-	1,766,535
		<u>1,898,914</u>	<u>-</u>	<u>1,898,914</u>	<u>2,078,923</u>	<u>-</u>	<u>2,078,923</u>
Debtors							
Arising out of direct insurance operations							
Policyholders		5,670	-	5,670	11,196	-	11,196
Intermediaries		1,302,057	-	1,302,057	1,544,125	-	1,544,125
Arising out of reinsurance operations		1,319,888	-	1,319,888	1,186,197	-	1,186,197
Other debtors	10	556,926	732,395	1,289,321	788,409	1,297,069	2,085,478
		<u>3,184,541</u>	<u>732,395</u>	<u>3,916,936</u>	<u>3,529,927</u>	<u>1,297,069</u>	<u>4,826,996</u>
Other Assets							
Cash at bank and in hand	11	572,764	261,478	834,242	391,094	1,089,944	1,481,038
Other		532,167	-	532,167	609,948	-	609,948
		<u>1,104,931</u>	<u>261,478</u>	<u>1,366,409</u>	<u>1,001,042</u>	<u>1,089,944</u>	<u>2,090,986</u>
Prepayments and Accrued Income							
Accrued interest		19,617	-	19,617	24,351	-	24,351
Deferred acquisition costs		703,133	-	703,133	668,941	-	668,941
Other prepayments and accrued income		18,102	-	18,102	17,837	-	17,837
		<u>740,852</u>	<u>-</u>	<u>740,852</u>	<u>711,129</u>	<u>-</u>	<u>711,129</u>
Total Assets		<u>£15,508,086</u>	<u>£3,398,207</u>	<u>£18,906,293</u>	<u>£16,083,003</u>	<u>3,766,515</u>	<u>£19,849,518</u>

The Accounting Policies and Notes on pages 14 to 26 form part of these Financial Statements.

		2013			2012		
	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	858,931	2,816,273	3,675,204	190,945	2,826,271	3,017,216
Total Shareholders' Funds	14	858,931	2,816,773	3,675,704	190,945	2,826,771	3,017,716
Technical Provisions							
Provision for unearned premiums		2,786,199	-	2,786,199	2,676,226	-	2,676,226
Claims outstanding - gross amount		10,015,359	-	10,015,359	11,067,704	-	11,067,704
		12,801,558	-	12,801,558	13,743,930	-	13,743,930
Provisions for Other Risks							
Deferred Taxation	15	-	548,301	548,301	-	423,661	423,661
Deposits Received from Reinsurers							
		1,885	-	1,885	1,648	-	1,648
Creditors							
Arising out of direct insurance operations		227,303	-	227,303	299,014	-	299,014
Arising out of reinsurance operations		711,422	-	711,422	812,600	-	812,600
Amounts owed to credit institutions		-	-	-	-	-	-
Other creditors	16	774,082	23,387	797,469	949,896	511,763	1,461,659
		1,712,807	23,387	1,736,194	2,061,510	511,763	2,573,273
Accruals and Deferred Income		132,905	9,746	142,651	84,970	4,320	89,290
Total Liabilities		£15,508,086	£3,398,207	£18,906,293	£16,083,002	£3,766,515	19,849,517

Approved by the Board on

25 September 2014

C H Wiese (Director)

The Accounting Policies and Notes on pages 14 to 26 form part of these Financial Statements.

	Note	2013	2012
Net Cash Inflow/(Outflow) from Operating Activities	17	(162,865)	442,003
Returns on Investments and Servicing of Finance			
Interest received		3,846	835
Interest paid		-	-
Net Cash Inflow from Returns on Investments and Servicing of Finance		3,846	835
Taxation			
Corporation Tax (paid)/recovered		(511,763)	(39,504)
Overseas Taxation (paid)/recovered		(6,873)	(11,236)
Taxation paid		(518,636)	(50,740)
Capital Expenditure and Financial Investment			
Purchase of syndicate participations rights		(8,186)	(7,192)
Proceeds from sale of syndicate participations rights		-	7,430
Net Cash Inflow/(Outflow) from Capital Expenditure and Financial Investment		(8,186)	238
		(685,842)	392,336
Equity Dividends Paid		-	-
Net Cash Inflow/(Outflow) before Financing		(685,842)	392,336
Financing			
Funds (repaid)/lent to the Company by the Shareholders to meet expenses and cash calls		564,674	594,511
Net Cash Inflow/(Outflow) from Financing		564,674	594,511
Net Cash inflow/(outflow) in the year		£(121,168)	£986,847
Cash flows were invested as follows:			
Increase/(decrease) in cash holdings		(828,466)	972,900
Net investment		707,298	13,947
Net investment of cash flows		£(121,168)	£986,847

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.

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 and Strategic Report on page 4. In addition, the Report of the Directors and the Strategic Report 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 2013 and continues to participate on the 2012 and 2013 underwriting years of account, which will normally close at 31 December 2014 and 2015 respectively, and has continued this participation since the year end on the 2014 year of account. The 2012 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.

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 syndicates 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
2013						
Direct						
Accident and health	309,690	299,162	(112,542)	(126,761)	(21,654)	38,205
Motor (third party liability)	17,579	15,417	(9,767)	(6,324)	719	45
Motor (other classes)	441,743	463,624	(330,239)	(168,762)	6,844	(28,533)
Marine, aviation and transport	950,112	958,939	(360,116)	(328,535)	(93,381)	176,907
Fire and other damage to property	1,682,157	1,659,189	(649,319)	(608,094)	(255,474)	146,302
Third party liability	895,131	855,668	(484,322)	(305,056)	(31,874)	34,416
Credit and suretyship	129,396	128,668	8,135	(48,972)	(14,118)	73,713
Legal expenses	25,184	22,465	(8,680)	(10,870)	102	3,017
Other	164,345	212,319	(94,436)	(118,476)	(960)	(1,553)
Total Direct	4,615,337	4,615,451	(2,041,286)	(1,721,850)	(409,796)	442,519
Reinsurance Business						
Reinsurance balance	2,220,746	2,128,595	(644,511)	(572,844)	(421,705)	489,535
Total Reinsurance	2,220,746	2,128,595	(644,511)	(572,844)	(421,705)	489,535
Total	£6,836,083	£6,744,046	£(2,685,797)	£(2,294,694)	£(831,501)	£932,054

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
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Reinsurance Business

Reinsurance balance	1,913,062	1,869,075	(896,589)	(429,189)	(294,263)	249,034
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Total Reinsurance	1,913,062	1,869,075	(896,589)	(429,189)	(294,263)	249,034
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Total	£6,701,096	£6,477,304	£(3,061,375)	£(2,112,591)	£(626,902)	£676,436
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2 Geographical Analysis	2013	2012
Direct Gross Premium Written In		
United Kingdom	4,615,337	4,788,034
Other EU Member States	-	-
Rest of the World	-	-

	<u>£4,615,337</u>	<u>£4,788,034</u>
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3 Net Operating Expenses	2013	2012
Acquisition costs	1,717,003	1,669,087
Change in deferred acquisition costs	(21,083)	(60,198)
Administrative expenses	662,883	563,777
(Profit)/loss on exchange	73,572	62,569
Reinsurers commissions and profit participations	(137,681)	(122,644)

	<u>£2,294,694</u>	<u>£2,112,591</u>
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4 Investment Income	2013	2012
Income from investments	232,432	255,124
Realised gains on investments	24,702	45,312
Bank Deposit Interest	3,846	835

	<u>£260,981</u>	<u>£301,271</u>
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5 Investment Expenses and Charges	2013	2012
Investment management expenses	19,910	16,826
Losses on the realisation of investments	91,860	87,754

	<u>£111,770</u>	<u>£104,580</u>
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6 Profit/(Loss) on Ordinary Activities before Taxation	2013	2012
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This is stated after charging/(crediting):	£	£
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Fees payable to the company's auditor for:		
- audit of the financial statements	1,400	1,300
- taxation services	800	800
- other services	1,300	1,200
Directors remuneration	-	-
Amortisation of syndicate capacity	16,933	18,773
(Profit)/loss on sale of syndicate capacity	-	3,041
Exchange (gain) or loss - Non Technical Account	(51,973)	22,012
Interest Payable	-	22,225
Charge for Funds at Lloyd's	549,352	549,352

The Company has no employees.

7 Taxation	2013	2012
Analysis of Charge in Year		
Current tax		
UK Corporation Tax on profits of the year	33,496	202,244
Adjustments in respect of previous years (Note 22)	-	356,813
	<u>33,496</u>	<u>559,057</u>
Double taxation relief	(10,109)	(18,808)
	<u>23,387</u>	<u>540,249</u>
Foreign tax	6,873	11,236
Total current tax	<u>30,260</u>	<u>551,485</u>
Deferred tax		
Origination and reversal of timing differences	179,900	(21,619)
Effect of change in tax rate on opening liability or asset	(55,260)	(38,720)
Total deferred tax	<u>124,640</u>	<u>(60,339)</u>
Tax on profit / (loss) on ordinary activities	<u>£154,900</u>	<u>£491,146</u>

Factors Affecting Tax Charge for the Year

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

	2013	2012
Profit/(loss) on ordinary activities before tax	<u>£812,888</u>	<u>£468,769</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 23.25% (2012 - 24.5%)	188,996	124,224
Effects of:		
Expenses not deductible for tax purposes	49,603	75,898
Timing differences arising on the taxation of the underwriting results	(166,667)	45,167
Other timing differences	(28,742)	(23,383)
Foreign tax	(3,236)	(7,572)
Adjustments in respect of previous periods (Note 22)	-	356,813
Trading losses carried forward/(utilised)	-	-
Marginal rate adjustment	-	-
Income not taxable	(9,694)	(10,286)
Current tax charge for year	<u>£30,260</u>	<u>£560,861</u>

Factors that may affect Future Tax Charges

The results of the Company's participation on the 2011, 2012 and 2013 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 2014, 2015 and 2016 respectively being the year after the calendar year result of each run-off year or the normal date of closure of each year of account. 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 2013	295,535
Additions	8,186
Disposals	-
	<hr/>
At 31 December 2013	303,722
Amortisation	
At 1 January 2013	278,602
Charge for the year	16,933
Disposals	-
	<hr/>
At 31 December 2013	295,535
Net Book Value	
At 31 December 2013	£8,186
	<hr/>
At 31 December 2012	£16,933
	<hr/>

9 Investments**Other Financial Investments - Syndicate**

	2013		2012	
	Market Value	Cost	Market Value	Cost
Shares and other variable yield securities and units in unit trusts	714,927	708,209	906,060	894,715
Debt securities and other fixed income securities	7,264,330	7,333,354	7,157,197	7,046,203
Participation in investment pools	392,427	375,776	393,683	507,988
Loans secured by mortgage	34,161	33,784	63,287	62,608
Other Loans	5,427	5,427	48,986	48,972
Deposits with credit institutions	6,784	6,785	12,515	12,515
Overseas deposits	150,867	149,056	176,291	169,215
Other	5,491	5,138	408	176
	<hr/>	<hr/>	<hr/>	<hr/>
	£8,574,414	£8,617,529	£8,758,427	£8,742,392
	<hr/>	<hr/>	<hr/>	<hr/>
Listed investments included within the above	£8,371,684	£8,417,339	£8,456,940	£8,448,906
	<hr/>	<hr/>	<hr/>	<hr/>

Other Financial Investments - Corporate

Shares and other variable yield securities and units in unit trusts	2,396,148	1,875,591	1,362,569	1,838,410
	<hr/>	<hr/>	<hr/>	<hr/>
	£2,396,148	£1,875,591	£1,362,569	£1,838,410
	<hr/>	<hr/>	<hr/>	<hr/>
Listed investments included within the above	£2,396,148	£1,875,591	£1,362,569	£1,838,410
	<hr/>	<hr/>	<hr/>	<hr/>

The Corporate investments include £1,655,587 (2012 - £784,793) held as part of the Lloyd's deposit and subject to the restrictions referred to in Note 11.

10 Debtors

	2013			2012		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Related Party Loan Account	-	732,395	732,395	-	1,297,069	1,297,069
Other	556,926	-	556,926	788,409	-	788,409
	<u>£556,926</u>	<u>£732,395</u>	<u>£1,289,321</u>	<u>£788,409</u>	<u>£1,297,069</u>	<u>£2,085,478</u>

Other debtors includes £Nil (2012 - £Nil) in respect of cash calls paid to Lloyd's syndicates.

11 Cash at Bank and in hand

	2013			2012		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Lloyd's deposit	-	155,300	155,300	-	793,685	793,685
Cash at bank and in hand	572,764	106,178	678,942	391,094	296,259	687,353
	<u>£572,764</u>	<u>£261,478</u>	<u>£834,242</u>	<u>£391,094</u>	<u>£1,089,944</u>	<u>£1,481,038</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

	2013	2012
	Allotted, Called-up and Fully Paid	Allotted, Called-up and Fully Paid
500 Ordinary shares of £1 each	£500	£500

13 Profit and Loss Account

	2013		
	Syndicate Participation	Corporate	Total
Retained profit/(loss) brought forward	190,945	2,826,271	3,017,216
Transfer	(350,769)	350,769	-
Profit/(loss) for the financial year	1,018,755	(360,767)	657,988
Equity dividends paid and declared	-	-	-
	<u>£858,931</u>	<u>£2,816,273</u>	<u>£3,675,204</u>

14 Reconciliation of Movements in Shareholders' Funds

	2013	2012
Opening shareholders' funds	3,017,716	3,040,093
Profit / (loss) for the financial year	657,988	(22,377)
Equity dividends paid and declared	-	-
Closing shareholders' funds	£3,675,704	£3,017,716

15 Provision for Deferred Tax

	2013	2012
Liability/(asset) at start of year	423,661	484,000
Deferred tax charge/(credit) in Profit and Loss Account for year	124,640	(60,339)
Liability/(asset) at end of year	£548,301	£423,661

Analysis of Provision for Deferred Taxation

Timing differences arising from the taxation of the underwriting results	184,915	59,016
Claims Equalisation Reserves	296,319	315,951
Other timing differences	67,067	48,694
Tax losses carried forward	-	-
	£548,301	£423,661

Deferred tax has been provided at 20% (2012: 23%)

16 Other Creditors

	2013			2012		
	Syndicate Participation	Corporate	Total	Syndicate Participation	Corporate	Total
Other creditors	774,082	-	774,082	949,896	-	949,896
Corporation Tax	-	23,387	23,387	-	511,763	511,763
Related party loan account	-	-	-	-	-	-
	£774,082	£23,387	£797,469	£949,896	£511,763	£1,461,659

17 Reconciliation of Operating Profit / (Loss) to Net Cash

Inflow / (Outflow) from Operating Activities	2013	2012
Operating Profit/(Loss)	812,888	468,769
Interest and dividends received - non-technical account	(45,542)	(42,819)
Realised and unrealised profits and losses on corporate investments	(284,585)	(141,397)
Interest charged - non-technical account	-	-
Underwriting result in year	(1,018,755)	(917,081)
Closed Year result distributable in year	350,769	1,373,980
Increase / (Decrease) in creditors	5,427	(321,574)
(Increase) / Decrease in debtors	-	311
(Profit) / Loss on sale of capacity	-	3,041
Amortisation of syndicate capacity	16,933	18,773
Net cash Inflow / (Outflow) from operating activities	£(162,865)	£442,003

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	1,089,944	-	(828,466)	-	261,478
Other portfolio investments	1,362,569	41,696	707,298	284,585	2,396,148
	<u>£2,452,513</u>	<u>£41,696</u>	<u>£(121,168)</u>	<u>£284,585</u>	<u>£2,657,626</u>

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 £1,873,853 (2012: £1,873,841). 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 2013 they and Myrtledare Corp have provided funding of £ (2012 - £45,159) and made charges of £549,352 (2012: £549,352) for providing Funds at Lloyd's on behalf of the company. During 2012 £922 (2012 - £Nil) was repaid and included within debtors at 31 December 2013 is £732,395 (2012: £1,297,069) 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			
		2014	2013	2012	2011
		£'000	£'000	£'000	£'000
33	Hiscox Syndicates Limited	1,050	998	998	998
218	Equity Syndicate Management Limited	900	450	450	450
308	R J Kiln & Company Limited	181	150	150	169
510	R J Kiln & Company Limited	1,040	1,040	1,040	1,040
557	R J Kiln & Company Limited	201	201	201	201
609	Atrium Underwriting Limited	1,233	1,233	1,233	1,233
623	Beazley Furlonge Limited	1,101	1,019	1,019	973
727	S A Meacock & Co Limited	650	650	650	650
1991	R&Q Managing Agency Limited	380	-	-	-
2010	Cathedral Underwriting Limited	350	350	350	350
2791	Managing Agency Partners Limited	872	990	990	990
6103	Managing Agency Partners Limited	36	50	-	-
6104	Hiscox Syndicates Limited	150	150	-	-
6105	Ark Syndicate Management Limited	110	-	-	-
6106	Amlin Underwriting Limited	-	100	50	-
6111	Catlin Underwriting Agency Limited	325	250	-	-
		£8,580	£7,631	£7,130	£7,053