

**Annual Report and Financial Statements**

**XL London Market Ltd**

**Year Ended  
31 December 2009**

Registered Number 1515647

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**Directors and Officers**

**Directors**

R E Garner  
H N Haag  
R O Hudson  
J F Ibbott  
A Ramage  
N D Robertson  
C D Sprott  
R J W Tittley  
M D Turner

**Company Secretary**

G L Brady

**Registered Office**

XL House  
70 Gracechurch Street  
London  
EC3V 0XL

**Auditors**

PricewaterhouseCoopers LLP  
London

## **Directors' report for the year ended 31 December 2009**

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2009

### **Principal Activities,**

The principal activity of the Company continues to be that of a Managing Agent at Lloyd's. The Company acts as Managing Agent for Syndicate 1209. Total managed capacity in 2009 was £230m (2008: £230m). Managed capacity is increased to £300m for 2010.

During the year, the Company provided certain Claims, Reinsurance, Finance and Actuarial services to a third party under a long term service level agreement.

### **Future developments**

The Company will continue to act as both a Managing Agent in the Lloyd's market and as a service provider to a third party under the existing long term service level agreement.

### **Business review and key performance indicators**

In 2009 Syndicate 1209 paid a reduced managing agency fee of £230,000 (2008 was £1,750,000) representing a "one-stop fee" and accordingly expenses recharged to the Company were similarly reduced.

The directors have considered the factors relating to the ongoing performance of the Company. Given the straightforward nature of the Company's transactions, the directors are of the opinion that an analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the Company.

### **Principal risks and uncertainties - Financial risk management**

The directors have considered all financial risks of the Company. The trading activity of the Company is minimal and adequate funds are available to meet all future liabilities. The directors do not believe that there are any significant interest rate, currency, liquidity, credit or price risks.

### **Results and dividends**

The results for the period and the state of the Company's position as at 31 December 2009 are shown in the financial statements. No interim dividend was paid and the directors do not propose to pay a final dividend (2008: £Nil).

## **XL LONDON MARKET LTD**

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### **Directors**

The individuals who served as directors during the period from 1 January 2009 to the date of this report are listed below

S C Barrett	(resigned 31 March 2010)
M J Beane	(resigned 19 May 2009)
Sir Brian Corby	(deceased 23 April 2009)
R E Garner	(appointed 19 November 2009)
H Haag	(appointed 8 October 2009)
R Hudson	(appointed 8 October 2009)
D J O'Donohoe	(resigned 18 May 2009)
J Ibbott	(appointed 19 May 2009)
E E McCusker	(resigned 19 November 2009)
A Ramage	
N D Robertson	(appointed 1 July 2009)
P O Sheridan	(resigned 31 March 2010)
C D Sprott	(appointed 19 November 2009)*
R J W Titley	
M D Turner	

\* Subject to regulatory approval

None of the directors have, according to the register of director's interests, any interests in the shares of the Company

### **Statement of disclosure of information to auditors**

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

- So far as each of them is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31 December 2009 of which the auditors are unaware, and
- the director has taken all the steps he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

### **Auditors**

PricewaterhouseCoopers LLP have indicated their willingness to continue in office, and as a result they will be deemed to be reappointed for the next financial year

## **XL LONDON MARKET LTD**

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### **Statement of directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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.



R E Garner  
Director

24 May 2010

# XL LONDON MARKET LTD

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF XL LONDON MARKET LIMITED

We have audited the financial statements of XL London Market Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### 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 2009 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 matters prescribed by the Companies Act 2006

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

### Matters on which we are required to report by exception

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

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



Roy Clark (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
24 May 2010

## **XL LONDON MARKET LTD**

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### **Profit and Loss Account for the year ended 31 December 2009**

	<b>Note</b>	<b>2009 £</b>	<b>2008 £</b>
TURNOVER	2	230,000	1,725,000
Other operating income		752,332	1,132,949
Administrative expenses		(1,267,099)	(2,075,118)
		<hr/>	<hr/>
OPERATING (LOSS) / PROFIT	3	(284,767)	782,831
Interest receivable		8,117	19,652
		<hr/>	<hr/>
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(276,650)	802,483
Taxation on ordinary activities	5	77,462	(228,708)
		<hr/>	<hr/>
(LOSS) / PROFIT FOR THE FINANCIAL YEAR	9	(199,188)	573,775
		<hr/>	<hr/>

There have been no recognised gains or losses other than those recorded in the profit and loss account and accordingly a statement of recognised gains and losses is not presented

The Company's turnover and expenses all related to continuing operations

The notes on pages 8-12 form an integral part of the financial statements



## XL LONDON MARKET LTD

### Balance Sheet as at 31 December 2009

	Note	2009 £	2008 £
CURRENT ASSETS			
Debtors and Deferred Tax	6	4,531,482	4,097,496
Cash at bank and in hand		1,950,294	71,377
		<u>6,481,776</u>	<u>4,168,873</u>
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	7	(2,740,799)	(228,708)
		<u>3,740,977</u>	<u>3,940,165</u>
NET ASSETS			
CAPITAL AND RESERVES			
Called up share capital	8	575,000	575,000
Profit and loss account	9	3,165,977	3,365,165
		<u>3,740,977</u>	<u>3,940,165</u>
EQUITY SHAREHOLDER'S FUNDS			
		<u>3,740,977</u>	<u>3,940,165</u>

The notes on pages 8-12 form an integral part of the financial statements

These financial statements were approved by the Board of Directors on 19 May 2010 and signed on its behalf by



R E Garner  
Director  
24 May 2010

**Notes to the Financial Statements  
for the year ended 31 December 2009**

**1 Accounting Policies**

**A Basis of presentation**

These financial statements have been prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 2006 and applicable UK accounting standards. The principal accounting policies are set out below.

**B Exemption from preparing cash flow statement**

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

**C Exemption from disclosing related party transactions**

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

**D Turnover**

Turnover comprises underwriting agency fees which are a percentage of Syndicate 1209 allocated capacity. The principal trading receipts are agency fees derived from underwriting Names at Lloyd's. These are charged annually to Names and allocated to the first twelve months of each underwriting account. Profit commission is recognised over the period when it is earned rather than when it is received after the Lloyd's year of account closes. No profit commission was earned in 2009 or 2008.

**E Other income and expenses**

Other income relates to consideration (receivable under a long term service level agreement) from a third party for the provision of certain Claims, Re-insurance, Finance and Actuarial services. In addition, Other income in 2008 included consideration received under the terms of sale of a fellow subsidiary. Other income and expenses are dealt with on an accruals basis.

**F Deferred taxation**

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

**G Foreign currencies**

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

## XL LONDON MARKET LTD

### Notes to the Financial Statements (continued) for the year ended 31 December 2009

#### 2 Turnover

	2009 £	2008 £
Agency fees	230,000	1,725,000

The whole of the turnover arises in the United Kingdom

In 2009 Syndicate 1209 paid a reduced managing agency fee representing a "one-stop fee" and accordingly expenses recharged to the Company were similarly reduced

#### 3 Operating (loss) / profit

All audit fees are borne by XL Services (UK) Ltd. The audit fee in 2009 was £10,500 (2008 £10,500)

The Company has no direct employees (2008 Nil). Staff are employed by XL Services UK Limited and the associated staff costs are borne by Syndicate 1209

#### 4 Directors' emoluments

	2009 £	2008 £
Emoluments	353,807	337,232
Company contributions paid to money purchase pension schemes	109,768	45,615
	<u>463,575</u>	<u>382,847</u>

The emoluments of directors disclosed above include the following amounts paid to the highest paid director

Emoluments	84,101	107,457
Company contributions paid to money purchase pension schemes	71,948	15,626
	<u>156,049</u>	<u>123,083</u>

For 2009, all Directors emoluments are borne by Syndicate 1209

## XL LONDON MARKET LTD

### Notes to the Financial Statements (continued) for the year ended 31 December 2009

#### 5 Tax on profit on ordinary activities

##### (a) Analysis of the charge in the period

	2009 £	2008 £
Corporation Tax		
On profits for the period at 28% (2008 28 5%)	-	228,708
	<hr/>	<hr/>
Total current tax	-	228,708
	<hr/>	<hr/>
Deferred Tax		
Origination and reversal of timing differences	(77,462)	-
	<hr/>	<hr/>
Total deferred tax	(77,462)	-
	<hr/>	<hr/>
	<hr/>	<hr/>
Tax on profit on ordinary activities	(77,462)	228,708
	<hr/>	<hr/>

##### (b) Factors affecting tax charge for the period

	2008 £	2008 £
Tax Reconciliation		
Loss/Profit on ordinary activities before tax	(276,650)	802,483
	<hr/>	<hr/>
Tax at 28% (2008 28 5%)	(77,462)	228,708
Tax on loss carried forward to future periods	77,462	-
	<hr/>	<hr/>
Total current tax for the period	-	228,708
	<hr/>	<hr/>

The 2007 Finance Act reduced the main rate of UK corporation tax to 28% from 1 April 2008 onwards. The prevailing rate is 28% in 2009 and was 28 5% in 2008.

## XL LONDON MARKET LTD

### Notes to the Financial Statements (continued) for the year ended 31 December 2009

#### 6 Debtors

	2009 £	2008 £
Amounts falling due within one year		
Deferred tax	77,462	-
Amounts owed by group undertakings	4,454,020	4,097,496
	<u>4,531,482</u>	<u>4,097,496</u>

	2009 £	2008 £
<b>Deferred tax</b>		
Balance at start of period	-	-
Deferred tax credit in profit and loss account for period	77,462	-
	<u>77,462</u>	<u>-</u>
Balance at end of period	<u>77,462</u>	<u>-</u>

#### 7 Creditors Amounts falling due within one year

	2009 £	2008 £
Amounts due to group undertakings	2,740,799	-
Corporation taxation	-	228,708
	<u>2,740,799</u>	<u>228,708</u>

#### 8 Called up share capital

	2009 £	2008 £
Authorised		
675,000 ordinary shares of £1 (2008 – 675,000)	<u>675,000</u>	<u>675,000</u>
Issued and fully paid		
575,000 ordinary shares of £1 (2008 – 575,000)	<u>575,000</u>	<u>575,000</u>

## XL LONDON MARKET LTD

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### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009

#### 9 Reconciliation of movements in shareholder's funds

	Called Up Share Capital £	Profit and Loss Account £	Total Share- Holder's Funds £
Balance as at 31 December 2007	575,000	2,791,390	3,366,390
Profit for the year	-	573,775	573,775
	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2008	575,000	3,365,165	3,940,165
Loss for the year	-	(199,188)	(199,188)
	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2009	575,000	3,165,977	3,740,977
	<hr/>	<hr/>	<hr/>

#### 10 Ultimate holding company

The Company is a subsidiary of XL London Market Group Ltd which is incorporated in England and Wales. The Company's ultimate parent company is XL Capital Ltd which is domiciled in Bermuda and incorporated in the Cayman Islands.

The results of XL London Market Ltd are consolidated within the accounts of XL Capital Ltd which is the largest and smallest group of undertakings for which group accounts are drawn up. Copies of the audited accounts of XL Capital Ltd can be obtained from the Company Secretary, XL House, 70 Gracechurch Street, London EC3V 0XL.