

XL LONDON MARKET LTD
Registered Number: 1515647

ANNUAL REPORT

XL LONDON MARKET Ltd

FOR THE YEAR ENDED
31 DECEMBER 2016

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CONTENTS

| | Pages |
|--|--------------|
| Company Information | 1 |
| Strategic Report | 2 |
| Directors' Report | 3 |
| Independent Auditors' Report to the Member of XL London Market Ltd | 5 |
| Statement of Profit or Loss | 7 |
| Statement of Changes in Equity | 8 |
| Statement of Financial Position | 9 |
| Notes to the Financial Statements | 10 |

XL LONDON MARKET LTD
Registered Number: 1515647

COMPANY INFORMATION

Directors and officers at the date that the report is signed:

Directors

P Greensmith
P R Bradbrook
P Jardine

Company secretary

M L Rees

Registered office

20 Gracechurch Street
London
EC3V 0BG
United Kingdom

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London SE1 2RT
United Kingdom

STRATEGIC REPORT

The Directors present their Strategic Report of XL London Market Ltd ("the Company") for the year ended 31 December 2016.

Principal activities

The principal activity of the Company is that of a managing agent at Lloyd's.

Future developments

The Company ceased to act as managing agent for Syndicate 1209 in May 2015.

Strategy and key performance indicators

The managing agency fee generated in 2016 from Syndicate 1209 was £nil (2015: £102,740).

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.

This report was approved by the Board and signed on its behalf by:



P R Bradbrook
Director
17 July 2017

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2016.

Future developments

The Company has ceased to act as managing agent for Syndicate 1209. The Company will no longer act as a service provider to a third party under an existing long term service level agreement.

Results and dividends

The results for the year and the state of the Company's position as at 31 December 2016 are shown in the financial statements. No interim dividend was paid and the Directors do not propose to pay a final dividend (2015: £nil).

Directors

Company Directors who hold office at the date of this report are listed on page 1. Set out below are Directors who were appointed during the year and up to the date of this report, together with those who resigned since 1 January 2016:

| | | |
|----------------|---------------|---------------------------|
| A McMellin | | Resigned 1 January 2017 |
| G Bruce-Smythe | | Resigned 13 February 2016 |
| J Gale | | Resigned 1 January 2017 |
| J Harris | | Resigned 3 March 2017 |
| N D Robertson | | Resigned 31 July 2016 |
| P Wilson | Non-executive | Resigned 3 March 2017 |
| R Cowdell | Non-executive | Resigned 16 April 2016 |
| R Glauber | Non-executive | Resigned 3 March 2017 |
| S Catlin | Non-executive | Resigned 3 March 2017 |

None of the Directors have any interests in the shares of the Company.

Independent auditors

The shareholders have dispensed with the requirements to hold Annual General Meetings and appoint auditors annually, through an elective resolution. PricewaterhouseCoopers LLP have indicated their willingness to continue in office, and as a result they will be deemed to be reappointed for the next financial year.

DIRECTORS' REPORT (CONTINUED)

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic and Directors' Reports 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 enable them to ensure that the financial statements comply with the regulations and the relevant provisions of 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.

Statement of disclosure of information to the auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- as far as each Director is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31 December 2016 of which the auditors are unaware; and
- that each Director has taken all the steps that ought to have been taken as a Director in order to make him/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This report was approved by the Board and signed on its behalf by:



P R Bradbrook
Director
17 July 2017

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF XL LONDON MARKET LTD

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion, XL London Market Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 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.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Statement of Profit or Loss for the year then ended;
- the Statement of Changes in Equity for the year then ended
- the Statement of Financial Position as at 31 December 2016; and
- the Notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF XL LONDON MARKET LTD (CONTINUED)

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual 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.



Matthew Nichols (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 July 2017

XL LONDON MARKET LTD
Registered Number: 1515647

STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2016

| | Note | 2016 £ | 2015 £ |
|--|-------------|-------------------|-------------------|
| TURNOVER | 2 | - | 102,740 |
| Other operating income | 2 | - | 159,340 |
| Administrative expenses | | (7,297) | (159,340) |
| | | <hr/> | <hr/> |
| OPERATING PROFIT | 3 | (7,297) | 102,740 |
| Interest receivable | | 37,672 | 40,482 |
| | | <hr/> | <hr/> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 30,375 | 143,222 |
| Tax on profit on ordinary activities | 4 | (5,999) | (29,002) |
| | | <hr/> | <hr/> |
| PROFIT FOR THE FINANCIAL YEAR | | <u>24,376</u> | <u>114,220</u> |

There were no recognised gains or losses in 2016 or 2015 other than those recorded in the Statement of Profit or Loss and accordingly a statement of recognised gains and losses is not presented.

XL LONDON MARKET LTD
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STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

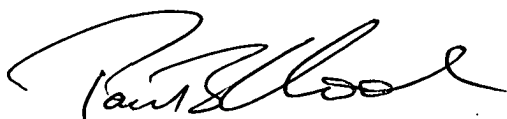
| | Called up share capital £ | Profit and loss account £ | Total £ |
|---------------------------------------|--|--|--------------------|
| Balance as at 1 January 2015 | 575,000 | 4,877,850 | 5,452,850 |
| Profit for the year | - | 114,220 | 114,220 |
| | <hr/> | <hr/> | <hr/> |
| Balance as at 31 December 2015 | 575,000 | 4,992,070 | 5,567,070 |
| Profit for the year | - | 24,376 | 24,376 |
| | <hr/> | <hr/> | <hr/> |
| Balance as at 31 December 2016 | <u>575,000</u> | <u>5,016,446</u> | <u>5,591,446</u> |

XL LONDON MARKET LTD
Registered Number: 1515647

STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

| | Note | 2016 £ | 2015 £ |
|---|------|------------------|------------------|
| CURRENT ASSETS | | | |
| Debtors | 5 | 16,177 | 16,177 |
| Cash at bank and in hand | | 8,179,823 | 8,373,501 |
| | | <u>8,196,000</u> | <u>8,389,678</u> |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | | | |
| | 6 | (2,604,554) | (2,822,608) |
| NET CURRENT ASSETS | | <u>5,591,446</u> | <u>5,567,070</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 7 | 575,000 | 575,000 |
| Profit and loss account | | <u>5,016,446</u> | <u>4,992,070</u> |
| TOTAL SHAREHOLDER'S FUNDS | | <u>5,591,446</u> | <u>5,567,070</u> |

The financial statements on pages 7 to 13 were approved by the Board of Directors and were signed on its behalf by:



P R Bradbrook
Director
17 July 2017

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

1. Accounting Policies

1.1 Basis of preparation

These financial statements have been prepared in accordance with the accounting standards in the United Kingdom including Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), issued by the Financial Reporting Council and in compliance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI2008/410") relating to insurance companies and other requirements of the Companies Act 2006.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the previous years presented, unless otherwise stated.

1.2 Exemption from preparing cash flow statement

The Company has availed itself of the exemption under FRS 102 section 1 on 'Reduced disclosures for subsidiaries' on the grounds that it is a wholly-owned subsidiary whose ultimate parent is XL Group Ltd (incorporated in Bermuda) which prepares a group consolidated cash flow statement in its group consolidated financial statements that are publicly available.

1.3 Exemption from disclosing related party transactions

As the Company is a wholly-owned subsidiary whose ultimate parent XL Group Ltd (incorporated Bermuda), the Company has taken advantage of the exemption contained in FRS 102 section 33 'Related Party Disclosures' from disclosing related party transactions with entities which form part of the XL Group Ltd.

1.4 Turnover

Turnover consists of Lloyd's underwriting agency fees. This is the total amount, excluding value added tax, receivable by the Company in the ordinary course of business for goods supplied and for services provided as principal. Lloyd's underwriting agency fees are calculated as a percentage of the capacity of Syndicate 1209 up to when the Company ceased to manage the syndicate on 5 May 2015. These are charged annually to Names and allocated to the first twelve months of each underwriting year of account. The Company ceased to be a managing agent for Syndicate 1209 from May 2015.

1.5 Other operating income

Other income relates to consideration (receivable under a long term service level agreement) from a third party for the provision of certain Claims, Reinsurance, Finance and Actuarial services. This service agreement ceased when the Company ceased to be the managing agent of Syndicate 1209.

1.6 Foreign currency

The Company's financial statements are presented in pound sterling which is the same as its functional currency. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the Balance Sheet date. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined. Transactions in foreign currencies are translated into sterling at the previous month's closing rates as a proxy for the transactional rates. Exchange gains and losses are recognised in the Statement of Profit or Loss.

1.7 Dividends

Dividends payable are recognised when approved by the Board.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2016

1. Accounting Policies (continued)

1.8 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the year. Tax is recognised in the Statement of Profit or Loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years and is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

2. Turnover and Other operating income

| | 2016 | 2015 |
|-------------|-------------|-------------|
| | £ | £ |
| Agency fees | - | 102,740 |

The whole of the turnover arises in the United Kingdom.

3. Operating profit

All audit fees are borne by Syndicate 1209. The audit fee in 2016 was £ 10,239 (2015: £10,560).

The Company has no direct employees (2015: *nil*). The Company did not directly incur staff cost during the year (2015: *£nil*).

The Company was not recharged any expenses during the year relating to the remuneration of the Directors (2015: *£nil*).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2016

4. Tax on profit on ordinary activities

(a) Tax expense included in Statement of Profit or Loss

| | 2016 | 2015 |
|---|-------------|-------------|
| | £ | £ |
| Current tax: | | |
| On profits for the year at 20% (2015: 20.25%) | 6,075 | 29,002 |
| Adjustment in respect of previous period | (76) | - |
| | <hr/> | <hr/> |
| Tax charge on profit on ordinary activities | 5,999 | 29,002 |
| | <hr/> | <hr/> |

(b) Reconciliation of tax charge

The tax assessed for the period is less than (2015: the same as) the standard rate of corporation tax in the UK of 20% (2015: 20.25%) as explained below:

| | 2016 | 2015 |
|---|-------------|-------------|
| | £ | £ |
| Profit on ordinary activities before tax | 30,375 | 143,222 |
| | <hr/> | <hr/> |
| Profit multiplied by standard rate of tax in the UK of 20% (2015: 20.25%) | 6,075 | 29,002 |
| Adjustment in respect of previous period | (76) | - |
| | <hr/> | <hr/> |
| Tax charge for the year | 5,999 | 29,002 |
| | <hr/> | <hr/> |

(c) Tax rate changes

Changes to the UK Corporation tax rates were substantively enacted as part of Finance (No. 2) Act (on 18 November 2015) and Finance Act 2016 (on 15 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

5. Debtors: Amounts falling due within one year

| | 2016 | 2015 |
|------------------------------------|-------------|-------------|
| | £ | £ |
| Amounts owed by group undertakings | 16,177 | 16,177 |
| | <hr/> | <hr/> |
| | 16,177 | 16,177 |
| | <hr/> | <hr/> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2016

6. Creditors: Amounts falling due within one year

| | 2016 | 2015 |
|------------------------------------|-------------|-------------|
| | £ | £ |
| Amounts owed to group undertakings | 2,598,479 | 2,569,482 |
| Corporation taxation | 6,075 | 253,126 |
| | <hr/> | <hr/> |
| | 2,604,554 | 2,822,608 |
| | <hr/> | <hr/> |

7. Called up share capital

| | 2016 | 2015 |
|---|-------------|-------------|
| | £ | £ |
| Allotted and fully paid: | | |
| 575,000 Ordinary shares of £1 each (2015 – 575,000) | 575,000 | 575,000 |
| | <hr/> | <hr/> |

8. Ultimate parent and controlling party

The Company's immediate parent is XL London Market Group Ltd, a company incorporated in England and Wales. The Company's ultimate parent company is XL Group Ltd, a company registered in Bermuda.

The results of XL London Market Ltd are consolidated within the financial statements of XL Group Ltd which is the largest and smallest group of undertakings for which group financial statements are drawn up. Copies of the audited financial statements of XL Group Ltd can be obtained from the Company Secretary, 20 Gracechurch Street, London EC3V 0BG.