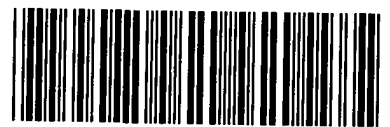


Annual Report and Financial Statements

XL London Market Ltd

**Year Ended
31 December 2014**

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XL LONDON MARKET LTD
Registered Number: 1515647

DIRECTORS AND OFFICERS

Directors

P R Bradbrook
R Glauber
R O Hudson
J F Ibbott
N D Robertson
M D Turner
P Wilson

Company secretary

G L Brady

Registered office

XL House
70 Gracechurch Street
London
EC3V 0XL

Independent auditors

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

STRATEGIC REPORT

The directors present their strategic report of the Company for the year ended 31 December 2014.

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 2014 was £300m (2013: £300m).

During the year, the Company also 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.

Strategy and key performance indicators

In 2014 Syndicate 1209 paid a managing agency fee of £300,000 (2013: £300,000) to the Company.

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.

ON BEHALF OF THE BOARD



P R Bradbrook
Director
24 February 2015

XL House
70 Gracechurch Street
London
EC3V 0XL

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2014.

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.

Results and dividends

The results for the year and the state of the Company's position as at 31 December 2014 are shown in the financial statements. No interim dividend was paid and the directors do not propose to pay a final dividend (2013: £Nil).

Directors

The individuals who served as directors during the period from 1 January 2014 to the date of signing the financial statements are listed below:

P R Bradbrook	(Executive)
R Glauber	(Non-executive)
R O Hudson	(Non-executive)
J F Ibbott	(Executive)
N D Robertson	(Executive)
M D Turner	(Executive)
P Wilson	(Non-executive)

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

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 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.

DIRECTORS' REPORT (CONTINUED)

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 2014 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.

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.

ON BEHALF OF THE BOARD



P R Bradbrook
Director
24 February 2015

XL House
70 Gracechurch Street
London
EC3V 0XL

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

Report on the financial statements

Our opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2014 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

XL London Market Ltd's financial statements comprise:

- the balance sheet, as at 31 December 2014;
- the profit and loss account for the year then ended;
- the reconciliation of movements in shareholders' funds for the year then ended; 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 their preparation of the financial statements is applicable law and United Kingdom Accounting Standards (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.

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 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

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 and Financial Statements 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.



Kate McDonald (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 February 2015

XL LONDON MARKET LTD
Registered Number: 1515647

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2014

	Note	2014 £	2013 £
TURNOVER	2	300,000	300,000
Other operating income	2	1,078,982	422,068
Administrative expenses		(360,692)	(422,068)
OPERATING PROFIT	3	1,018,290	300,000
Interest receivable/(payable)		24,149	(315)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,042,439	299,685
Tax on profit on ordinary activities	5	(224,124)	(69,667)
PROFIT FOR THE FINANCIAL YEAR	9	818,315	230,018

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.

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalent.

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

XL LONDON MARKET LTD
Registered Number: 1515647

BALANCE SHEET
As at 31 December 2014

	Note	2014 £	2013 £
CURRENT ASSETS			
Debtors	6	16,177	4,587,839
Cash at bank and in hand		8,173,678	3,312,255
		<u>8,189,855</u>	<u>7,900,094</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
	7	<u>(2,737,005)</u>	<u>(3,265,559)</u>
NET CURRENT ASSETS		<u>5,452,850</u>	<u>4,634,535</u>
CAPITAL AND RESERVES			
Called up share capital	8	575,000	575,000
Profit and loss account	9	<u>4,877,850</u>	<u>4,059,535</u>
TOTAL SHAREHOLDER'S FUNDS		<u>5,452,850</u>	<u>4,634,535</u>

The notes on pages 9 to 13 form an integral part of the financial statements.

These financial statements were approved by the Board of Directors and signed on its behalf by:



P R Bradbrook
 Director
 24 February 2015

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

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"), (revised 1996) Cash Flow Statements on the grounds that it is a wholly owned subsidiary whose ultimate parent company is XL Group plc (registered in the Republic of Ireland) 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 Group plc, 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 Group plc 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 year of account.

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. Other income and expenses are dealt with on an accruals basis.

F *Taxation including deferred tax*

Current tax is charged on all taxable profits arising during the financial year. Provision is made 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 year 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 year. All exchange differences are accounted for within administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2014

2. Turnover and Other operating income

	2014	2013
	£	£
Agency fees	300,000	300,000

The whole of the turnover arises in the United Kingdom.

Included within other operating income of £1,078,982 is fees received under a service level agreement of £360,692 (2013: £422,068) with the remaining £718,290 relating to the closure of Blunt Underwriting Services, £609,785 being XL's share of Blunt net assets distributed and £108,505 received to cover for the cost of running off Blunt Underwriting Services to extinction.

3. Operating profit

All audit fees are borne by Syndicate 1209. The audit fee in 2014 was £10,560 (2013: £11,000)

The Company has no direct employees (2013: Nil). Staff are employed by a fellow subsidiary XL Services UK Limited and the associated staff costs are borne by Syndicate 1209.

4. Directors' emoluments

	2014	2013
	£	£
Emoluments	460,706	400,079
Company contributions paid to money purchase pension schemes	17,037	12,040
	<u>477,743</u>	<u>412,119</u>

Retirement benefits are accruing to four (2013: four) directors under a defined contribution scheme.

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

Emoluments	93,404	88,429
Company contributions paid to money purchase pension schemes	5,864	5,250
	<u>99,268</u>	<u>93,679</u>

All Directors emoluments are borne by Syndicate 1209.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2014

5. Tax on profit on ordinary activities

(a) Analysis of the charge in the year

	2014	2013
	£	£
Current tax:		
On profits for the year at 21.5% (2013: 23.25%)	224,124	69,667
Adjustment in respect of previous periods	-	-
	<hr/>	<hr/>
Total current tax	224,124	69,667
	<hr/>	<hr/>
Deferred tax:		
Utilisation of losses brought forward from prior year	-	-
	<hr/>	<hr/>
Total deferred tax	-	-
	<hr/>	<hr/>
Tax charge on profit on ordinary activities	224,124	69,667
	<hr/> <hr/>	<hr/> <hr/>

(b) Factors affecting tax charge for the year

The tax assessed for the period is the same as the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%) as explained below:

	2014	2013
	£	£
Tax Reconciliation:		
Profit on ordinary activities before tax	1,042,439	299,685
	<hr/>	<hr/>
Tax at 21.5% (2013: 23.25%)	224,124	69,667
Adjustment in respect of previous periods	-	-
	<hr/>	<hr/>
Total current tax for the year	224,124	69,667
	<hr/> <hr/>	<hr/> <hr/>

(c) Factors that may affect future tax charges:

The main rate of UK corporation tax is 21.5% in 2014 (2013: 23.25%). The reduction in the main corporation tax rate to 23% from 1 April 2013 was enacted in Finance Act 2012. Further reductions in the main corporation tax rate to 21% from 1 April 2014 and to 20% from 1 April 2015 were enacted in Finance Act 2013.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2014

6. Debtors: Amounts falling due within one year

	2014	2013
	£	£
Amounts owed by group undertakings	16,177	4,587,839
	<u> </u>	<u> </u>

7. Creditors: Amounts falling due within one year

	2014	2013
	£	£
Amounts owed to group undertakings	2,512,881	3,195,892
Corporation taxation	224,124	69,667
	<u> </u>	<u> </u>
	2,737,005	3,265,559
	<u> </u>	<u> </u>

8. Called up share capital

	2014	2013
	£	£
Authorised:		
675,000 Ordinary shares of £1 each (2013 – 675,000)	675,000	675,000
	<u> </u>	<u> </u>
Allotted and fully paid:		
575,000 Ordinary shares of £1 each (2013 – 575,000)	575,000	575,000
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2014

9. Reconciliation of movements in shareholder's funds

	Called Up Share Capital £	Profit and Loss Account £	Total Share- Holder's Funds £
Balance as at 1 January 2013	575,000	3,829,517	4,404,517
Profit for the financial year	-	230,018	230,018
	<hr/>	<hr/>	<hr/>
Balance as at 1 January 2014	575,000	4,059,535	4,634,535
Profit for the financial year	-	818,315	818,315
	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2014	575,000	4,877,850	5,452,850
	<hr/>	<hr/>	<hr/>

10. 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 plc, a company registered in the Republic of Ireland.

The results of XL London Market Ltd are consolidated within the financial statements of XL Group plc 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 plc can be obtained from the Company Secretary, XL House, 70 Gracechurch Street, London EC3V 0XL.