

XL LONDON MARKET LTD
Registered Number: 1515647

ANNUAL REPORT & ACCOUNTS

XL LONDON MARKET LTD

YEAR ENDED
31 DECEMBER 2017



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COMPANY INFORMATION

The directors of the company who were in office during the year and up to the date of signing the financial statements:

Directors

P Greensmith
P Jardine
P Bradbrook

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 2017.

Principal activities

The principal activity of the Company was that of a managing agent at Lloyd's. The Company ceased to act as managing agent for Syndicate 1209 in May 2015.

Strategy and key performance indicators

There is no managing agency fee generated in 2017 from Syndicate 1209 (2016: *£nil*).

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 Bradbrook
Director
13th July 2018

XL LONDON MARKET LTD
Registered Number: 1515647

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2017.

Future developments

The Company has ceased to act as managing agent for Syndicate 1209 in May 2015. The Company cease to act as a service provider to a third party under an existing long term service level agreement post May 2015.

On 5 March 2018, XL Group Ltd announced that it had entered into an agreement to be acquired by AXA. This all-cash offer of \$ 57.6 per share deal is subject to shareholders approval, regulatory clearance and other customary closing conditions. The acquisition is expected to complete in the second half of 2018.

Results and dividends

The results for the year and the state of the Company's position as at 31 December 2017 are shown in the financial statements. No interim dividend was paid and the Directors do not propose to pay a final dividend (2016: £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 2017:

There is no appointment or resignation since the date of last report issued.

A McMellin		Resigned 1 January 2017
J Gale		Resigned 1 January 2017
J Harris		Resigned 3 March 2017
P Wilson	Non-executive	Resigned 3 March 2017
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 2017 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 Bradbrook
Director
13th July 2018

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

Report on the audit of the financial statements

Our Opinion

In our opinion, XL London Market Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2017; the statement of profit or loss, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.



Matthew Nichols (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25th July 2018

XL LONDON MARKET LTD
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STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2017

	Note	2017 £	2016 £
TURNOVER		-	-
Other operating income		-	-
Administrative expenses		-	(7,297)
		<hr/>	<hr/>
OPERATING LOSS	2	-	(7,297)
Interest receivable and similar income		17,525	37,672
		<hr/>	<hr/>
PROFIT BEFORE TAXATION		17,525	30,375
Tax on profit	3	(3,374)	(5,999)
		<hr/>	<hr/>
PROFIT FOR THE FINANCIAL YEAR		<u>14,151</u>	<u>24,376</u>

There were no recognised gains or losses other than those recorded in the Statement of Profit or Loss

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STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	Called up share capital £	Profit and loss account £	Total £
Balance as at 1 January 2016	575,000	4,992,070	5,567,070
Profit for the year	-	24,376	24,376
Balance as at 31 December 2016	<u>575,000</u>	<u>5,016,446</u>	<u>5,591,446</u>
Profit for the year	-	14,151	14,151
Balance as at 31 December 2017	<u><u>575,000</u></u>	<u><u>5,030,597</u></u>	<u><u>5,605,597</u></u>

STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Note	2017 £	2016 £
CURRENT ASSETS			
Debtors	4	16,177	16,177
Cash at bank and in hand		8,197,348	8,179,823
		<u>8,213,525</u>	<u>8,196,000</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
	5	(2,607,928)	(2,604,554)
NET CURRENT ASSETS		<u>5,605,597</u>	<u>5,591,446</u>
CAPITAL AND RESERVES			
Called up share capital	6	575,000	575,000
Profit and loss account		<u>5,030,597</u>	<u>5,016,446</u>
TOTAL SHAREHOLDERS' FUNDS		<u>5,605,597</u>	<u>5,591,446</u>

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



P Bradbrook
 Director
 13th July 2018

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

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 2017

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. Operating loss

All audit fees are borne by Syndicate 1209. The audit fee in 2017 was £ 9,753 (2016: £10,239).

The Company has no direct employees (2016: *nil*). The Company did not directly incur staff costs during the year (2016: *£nil*).

The Company was not recharged any expenses during the year relating to the remuneration of the Directors (2016: *£nil*).

3. Tax on profit

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

	2017 £	2016 £
Current tax:		
On profits for the year at 19.25% (2016: 20%)	3,374	6,075
Adjustment in respect of previous period	–	(76)
	<hr/>	<hr/>
Tax charge on profit	3,374	5,999
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

3. Tax on profit (Continued)
(b) Reconciliation of tax charge

The tax assessed for the year is the same as the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%) as explained below:

	2017	2016
	£	£
Profit on ordinary activities before tax	17,525	30,375
	<hr/>	<hr/>
Profit before tax multiplied by standard rate of tax in the UK of 19.25% (2016: 20%)	3,374	6,075
Adjustment in respect of previous period	–	(76)
	<hr/>	<hr/>
Tax charge for the year	3,374	5,999
	<hr/>	<hr/>

(c) Tax rate changes

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 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.

4. Debtors

	2017	2016
	£	£
Amounts owed by group undertakings	16,177	16,177
	<hr/>	<hr/>
	16,177	16,177
	<hr/>	<hr/>

5. Creditors: Amounts falling due within one year

	2017	2016
	£	£
Amounts owed to group undertakings	2,598,479	2,598,479
Corporation taxation	9,449	6,075
	<hr/>	<hr/>
	2,607,928	2,604,554
	<hr/>	<hr/>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

6. Called up share capital

	2017	2016
	£	£
Allotted and fully paid:		
575,000 Ordinary shares of £1 each (2016 : 575,000)	575,000	575,000
	<hr/>	<hr/>

7. 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.

8. Post balance sheet event

On 5 March 2018, XL Group Ltd announced that it had entered into an agreement to be acquired by AXA. This all-cash offer of \$ 57.6 per share deal is subject to shareholders approval, regulatory clearance and other customary closing conditions. The acquisition is expected to complete in the second half of 2018.