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Talbot Underwriting Ltd
Report and financial statements
31 December 2013

Strategic report

The directors present the strategic report of the company for the year ended 31 December 2013.

Principal activity

The principal activity of Talbot Underwriting Ltd ("TUL") is that of a Lloyd's managing agency. TUL manages the affairs of syndicate 1183 ("the syndicate") which commenced underwriting for the 2002 year of account. The principal activity of the syndicate continues to be the underwriting of direct and reinsurance business in the Lloyd's market.

The company also acts as holding company for one UK-based and four overseas companies which underwrite business on behalf of the syndicate. These companies are disclosed in note 8.

Review of the business and key performance indicators

The principal sources of revenue for TUL are the managing agency fee charged to the syndicate, currently 1% of syndicate capacity (2012: 1%) and profit commission on the underwriting results of the syndicate, currently 15% of the year of account result, after personal expenses at 36 months (2012: 15%). These are shown for the current and preceding year in the table below.

	2013 £'000	2012 £'000
Managed syndicate capacity	620,000	600,000
Managing agency fee	6,200	6,000
Profit commission	15,225	13,398
Total revenue	21,425	19,398

Syndicate capacity is provided by a fellow group company, Talbot 2002 Underwriting Capital Ltd.

Expenses consist primarily of a management fee charged to TUL by the service company Talbot Underwriting Services Ltd ("TUSL"). Administrative expenses were £22.5m against £22.4m in 2012.

The net asset position of the company has decreased from £10.8m to £10.0m. The main asset on the balance sheet is a debtor of £13.9m (2012: £11.7m) due from the syndicate in respect of profit commission on the 2011 year of account (2012: 2010 year of account).

Results and dividend

The loss for the financial year was £0.8m (2012: £2.3m). The company did not pay a dividend during the year (2012: £nil).

Principal risks and uncertainties

As a Managing Agent at Lloyd's, the principal risk to TUL arises from future cash flows in respect of income that it receives from its management of the syndicate. Income arises from fees charged to the syndicate and profit commission on the underwriting result. Managing agency fees are directly related to the future capacity of the syndicate. A reduction in the capacity due to unprofitable underwriting or reduction in capital support for the syndicate will reduce fee income to TUL. There is a level of uncertainty over the level of profit commission receivable by TUL as it is dependent on future syndicate results which can vary significantly.

Credit risk

The key risk is the risk of default by the syndicate and/or one or more group companies. To mitigate this risk, balances with the syndicate and group companies are reviewed and settled on a regular basis.

Strategic report (continued)

Principal risks and uncertainties (continued)

Regulatory and compliance risk

TUL is required to operate under the regulatory and compliance frameworks set by the Prudential Regulation Authority as regulator and Lloyd's as franchisor. As a Managing Agent, TUL is required by Lloyd's to maintain a minimum level of net assets. Regulatory and compliance risk is considered to be the inability or failure of the company to comply with UK regulatory requirements. TUL's net assets are monitored regularly to ensure that solvency requirements are met.

Approved by the Board of Directors and signed on behalf of the Board.



JS Clouting
Company Secretary
7 March 2014

Directors' report

The directors present their report and audited financial statements of the company for the year ended 31 December 2013. The results, key performance indicators and principal risks and uncertainties are discussed in the strategic report.

Future developments

The managed syndicate capacity for the 2014 year of account is £625m.

Corporate governance

TUL Board

The TUL Board comprises executive directors and non-executive directors (including a Chairman, shareholder representatives and independent directors).

The non-executive directors are expected to: (i) challenge the executive directors constructively on their recommendations and running of the business; (ii) review the performance of management in meeting agreed objectives and targets and to monitor the reporting of performance; and (iii) satisfy themselves that financial controls and systems of risk management are adequate.

TUL Audit Committee

The TUL Audit Committee is made up of five non-executive directors and is attended by various executive directors and members of management. The purpose of the Audit Committee is to review, with input from external auditors, internal audit and external actuaries, and to report to the Board on the control infrastructure and financial reporting of TUL and the syndicate.

Directors

The following directors have held office from 1 January 2013 to the date of this report, except where indicated.

CNR Atkin	(Chief Executive)
PA Bilsby	
MEA Carpenter	(Non-executive Chairman)
JS Clouting	
J Hendrickson	(Non-executive, appointed 13 December 2013)
B Hurst-Bannister	(Non-executive)
AJ Keys	(Non-executive)
EJ Noonan	(Non-executive)
J Ritz	(Non-executive)
JG Ross	
JD Sangster	(Non-executive, appointed 21 January 2013)
M Scales	(Non-executive)
JE Skinner	
VG Southey	(Non-executive, resigned 10 April 2013)
ND Wachman	

Directors' report (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 prepared 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 year. 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;
- 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 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.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors to the company. The company has an elective resolution in place under S485 of the Companies Act 2006 to dispense with the obligation to appoint an auditor annually.

Registered office

The company's registered office is:
60 Threadneedle Street
London
EC2R 8HP

Approved by the Board of Directors and signed on behalf of the Board.



JS Clouting
Company Secretary
7 March 2014

Independent auditors' report to the member of Talbot Underwriting Ltd

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Talbot Underwriting Ltd, comprise:

- the Balance Sheet as at 31 December 2013;
- the Profit and Loss account 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 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.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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.

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and Strategic 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.

Independent auditors' report to the member of Talbot Underwriting Ltd (continued)

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.

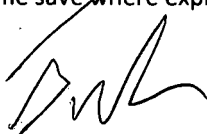
Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 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 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.



Steve Jules Jr (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 March 2014

Profit and loss account

Year ended 31 December 2013

	Note	2013 £	2012 £
Turnover	3	21,425,204	19,397,547
Administrative expenses	5	(22,466,736)	(22,432,281)
Loss on ordinary activities before taxation		(1,041,532)	(3,034,734)
Tax on loss on ordinary activities	7	220,437	735,731
Loss for the financial year	12	(821,095)	(2,299,003)

All activities derive from continuing operations. There are no recognised gains or losses in either the current or preceding years other than the loss for the financial year. Accordingly, no statement of total recognised gains and losses is required.

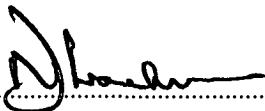
Balance sheet

As at 31 December 2013

	Note	2013 £	2012 £
Fixed assets			
Investments	8	1,100,894	1,100,894
Current assets			
Debtors	9	14,152,030	20,795,590
Creditors - amounts falling due within one year	10	(8,253,468)	(12,737,433)
Net current assets		5,898,562	8,058,157
Accrued income – due after one year		3,009,000	1,670,500
Total assets less current liabilities		10,008,456	10,829,551
Capital and reserves			
Called up share capital	11	400,000	400,000
Profit and loss account	12	9,608,456	10,429,551
Total shareholder's funds	12	10,008,456	10,829,551

These financial statements on pages 7 to 11 were approved by the Board of Directors on 6 March 2014.

Signed on behalf of the Board of Directors


..... (Director)
ND Wachman

Notes to the financial statements

Year ended 31 December 2013

1 Basis of preparation of financial statements

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 ("the Act") and applicable accounting standards in the United Kingdom. The principal accounting policies are set out below. The accounting policies have been applied consistently.

Under s401 of the Companies Act 2006 the company is exempt from preparing consolidated financial statements on the basis that the ultimate parent undertaking, Validus Holdings, Ltd, prepares consolidated financial statements.

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that the company is a wholly owned subsidiary of Validus Holdings, Ltd, and is included in the consolidated financial statements of Validus Holdings, Ltd which are publicly available.

The company has taken advantage of the exemption for wholly owned subsidiaries available in FRS 8 and has not disclosed related party transactions between itself and other group companies.

2 Accounting policies

(a) Turnover

Turnover consists of managing agency fees and profit commission receivable from insurance underwriting activities of Syndicate 1183 at Lloyd's which is managed by the company. Managing agency fees are recognised during the first twelve months of the underwriting year.

Profit commission ("PC") expected to arise on closure of a Lloyd's year of account is recognised on an accruals basis subject to an assessment of certainty over the year of account's profitability. PC on a year of account is recognised initially at 24 months when the year of account result can be forecast with reasonable certainty. At this point only 50% of the expected ultimate PC is recognised to allow for future factors that may potentially affect the year of account result. The remaining PC is recognised over the following twelve months as these factors diminish.

(b) Taxation

Current tax is provided at the amount expected to be paid (or recovered) using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

(c) Investments

Investments in group companies are included at cost unless the value of net assets for a subsidiary is lower than its cost value. In this case, the difference between cost and net asset value is written off to the profit and loss account as an impairment of investment.

(d) Dividends on shares presented within shareholder's funds

Dividends on shares presented within shareholder's funds are dealt with as appropriations in the reconciliation of movements in shareholder's funds.

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

3 Turnover

	2013 £	2012 £
Managing agency fee	6,200,000	6,000,000
Profit commission	15,225,204	13,397,547
	21,425,204	19,397,547

All income arises in the United Kingdom.

4 Staff costs and directors' remuneration

The company has no employees. All members of staff are employed by Talbot Underwriting Services Ltd ("TUSL"), a fellow group company, which pays all their remuneration. No emoluments were paid to directors of the company in respect of their services as directors of the company.

5 Loss on ordinary activities before taxation

Loss on ordinary activities before tax is stated after management charges of £22,466,736 (2012: £22,294,669).

Notes to the financial statements

6 Audit and non-audit fees

The audit fees for TUL are borne by TUSL and are recharged to the company as part of the management charge. During the year, TUSL incurred £24,045 (2012: £28,641) in respect of audit fees to TUL's auditors and associates. There are no non-audit fees.

7 Tax on loss on ordinary activities

The analysis of the tax charge during the year is as follows:

	2013 £	2012 £
Current tax		
UK corporation tax on loss for the year	(241,030)	(736,737)
Adjustment in respect of previous years	20,593	1,006
	(220,437)	(735,731)

The current tax credit for the year is lower (2012: lower) than the standard effective rate of corporation tax in the UK of 23.25% (2012: 24.5%). The differences are explained below:

	2013 £	2012 £
Loss on ordinary activities before taxation	(1,041,532)	(3,034,734)
Loss on ordinary activities multiplied by the standard rate of corporate tax in the UK for the year	(242,121)	(743,427)
Tax effect of:		
Notional interest on intercompany balances subject to tax	1,091	6,690
Adjustment in respect of previous years	20,593	1,006
	(220,437)	(735,731)

8 Investments

The company has wholly owned subsidiary companies which underwrite as coverholders on behalf of the syndicate as follows:

Subsidiary	Location
Talbot Risk Services Pte Ltd ("Talbot Asia")	Singapore
Talbot Underwriting (MENA) Ltd ("Talbot MENA")	Dubai, UAE
Talbot Underwriting Services (US) Ltd ("Talbot NY")	New York, USA
Talbot Risk Services (Labuan) Ltd ("Talbot Labuan")	Labuan, Malaysia
Talbot Underwriting Risk Services Ltd ("TURSL")	London

The table below shows the movement in the carrying value of investments during the year.

	Talbot Asia £	Talbot MENA £	Talbot NY £	Talbot Labuan £	TURSL £	Total £
Carrying value brought forward	200,000	766,288	6	109,600	25,000	1,100,894
Additions	-	-	-	-	-	-
Carrying value carried forward	200,000	766,288	6	109,600	25,000	1,100,894

The directors believe that the carrying value of the investments is supported by their underlying net assets

Notes to the financial statements

9 Debtors

	2013 £	2012 £
Amounts owed by managed syndicate	13,886,705	11,727,048
Amounts owed by group companies	8,019	7,655,994
Corporation Tax	257,306	1,412,548
	14,152,030	20,795,590

Amounts owed by group companies and the managed syndicate are unsecured, interest free, have no fixed date of payment and are payable on demand.

10 Creditors - amounts falling due within one year

	2013 £	2012 £
Amounts owed to group companies	8,253,468	12,737,433
	8,253,468	12,737,433

Amounts owed to group companies are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

11 Called up share capital

	2013 £	2012 £
Authorised share capital of £1 each	400,000	400,000
Allotted and fully paid ordinary shares of £1 each	400,000	400,000

12 Reconciliation of movement in shareholder's funds

	Called up share capital £	Profit and loss account £	Total £
Opening shareholder's funds	400,000	10,429,551	10,829,551
Loss for the financial year		(821,095)	(821,095)
Closing shareholder's funds	400,000	9,608,456	10,008,456

13 Ultimate parent company and parent undertaking of a larger group of which the company is a member

The company is a subsidiary undertaking of Talbot Underwriting Holdings Ltd, incorporated and registered in England and Wales. The registered office is 60 Threadneedle Street, London, EC2R 8HP.

The ultimate parent company and controlling party is Validus Holdings, Ltd, a company registered in Bermuda. The registered office is 29 Richmond Road, Pembroke Parish, HM 08, Bermuda.