

Company registration number (England and Wales) 3406789

## CHARIOT (II) UNDERWRITING LIMITED

*DIRECTORS' REPORT AND FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED 31 DECEMBER 2010*

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# CHARIOT (II) UNDERWRITING LIMITED

## CONTENTS

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	Page
Company information	1
Report of the directors	2 - 3
Report of the auditors	4
Profit and loss account	5 - 6
Balance sheet	7 - 8
Cash flow statement	9
Accounting policies	10 - 12
Notes to the financial statements	13 - 22

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# **CHARIOT (II) UNDERWRITING LIMITED**

## **COMPANY INFORMATION**

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### **COMPANY PERSONNEL**

<b>Directors</b>	M W Johnson M A Johnson
<b>Company Secretary</b>	Argenta Secretariat Ltd

### **COMPANY ADDRESSES**

<b>Registered office</b>	7-9 The Avenue Eastbourne East Sussex BN21 3YA
<b>Member's agent</b>	Argenta Private Capital Limited Fountain House 130 Fenchurch Street London EC3M 5DJ
<b>Auditors</b>	Humphrey & Co 7 - 9 The Avenue Eastbourne East Sussex BN21 3YA

# **CHARIOT (II) UNDERWRITING LIMITED**

## **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

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The directors have pleasure in presenting their report together with the financial statements for the year ended 31 December 2010

### **Results and dividends**

The loss for the year after taxation was £9,072 (2009 profit £36,931). The directors do not recommend the payment of a final dividend

### **Principal activities and review of the business**

The principal activity of the Company in the year under review was that of a corporate underwriting member of Lloyd's

The result for the year is in respect of the 2010 annual accounting year, which consists of movements in the 2008, 2009 and 2010 years of account as well as any 2007 and prior run-off years. Gross premiums written increased from £391,845 to £463,253 compared to the previous year and the overall balance on the technical account decreased from £46,765 to £33,227 as a result of the level of claims experienced

The company has continued to underwrite on the 2011 underwriting account where the market conditions are considered favourable for a profitable outcome subject to the level of claims experienced.

The key business risks and uncertainties affecting the company are considered to relate to insurance risk, investment and currency risk and regulatory risk

### **Financial risk management objectives and policies**

The Company is principally exposed to financial risk through its participation on Lloyd's Syndicates. It has delegated sole management and control of its underwriting through each Syndicate to the Managing Agent of that Syndicate and it looks to the Managing Agents to implement appropriate policies, procedures and internal controls to manage each Syndicates' exposures to insurance risk, credit risk, market risk, liquidity risk and operational risk. The Company is also directly exposed to these risks, but they are not considered material for the assessment of the assets, liabilities, financial position and profit or loss of the Company

Hedge accounting is not used by the Company

### **Key Performance Indicators**

The directors monitor the performance of the Company by reference to the following key performance indicators

	2010	2009
Capacity (youngest underwriting year) (£)	644,190	416,320
Gross premium written as a % of capacity	71.9 %	94.1 %
Underwriting profit of latest closed year as a % of capacity	8.5 %	- %
Run-off years of account movement (£)	-	(110)
Combined ratio	92.8 %	87.0 %

The combined ratio is the ratio of net claims incurred, commissions and expenses to net premiums earned

## CHARIOT (II) UNDERWRITING LIMITED

### DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

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#### Directors

The directors who held office at any time during the year are listed below

M W Johnson

M A Johnson

#### 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 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

The directors 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

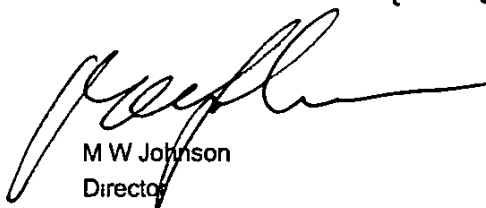
#### Auditors

The auditors, Humphrey & Co, are deemed to be reappointed under Section 487(2) of the Companies Act 2006.

#### Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information

Approved by the Board on 16th Sep 2011 and signed on its behalf by



M W Johnson  
Director

# **CHARIOT (II) UNDERWRITING LIMITED**

## **INDEPENDENT AUDITORS REPORT**

### **TO THE SHAREHOLDERS OF CHARIOT (II) UNDERWRITING LIMITED**

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We have audited the financial statements of Chariot (II) Underwriting Limited for the year ended 31 December 2010 on pages 5 to 22. 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)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **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. In addition we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

#### **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 2010 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

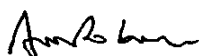
#### **Opinion on other matter prescribed by the Companies Act 2006**

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 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



Andrew Robinson (Senior Statutory Auditor)  
for and on behalf of Humphrey & Co  
Chartered Accountants  
Statutory Auditor

Date: 19 September 2011

Humphrey & Co  
7-9 The Avenue  
Eastbourne  
East Sussex  
BN21 3YA

**CHARIOT (II) UNDERWRITING LIMITED****PROFIT AND LOSS ACCOUNT - TECHNICAL ACCOUNT (GENERAL BUSINESS)****FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 £	2009 £
Gross premiums written	2	463,253	391,845
Outward reinsurance premiums		(81,984)	(63,607)
Net premiums written		381,269	328,238
Change in the provision for unearned premiums			
Gross provision		(26,039)	(15,028)
Reinsurers' share		2,443	(63)
Net change in the provision for unearned premiums		(23,596)	(15,091)
Earned premiums net of reinsurance		357,673	313,147
Allocated investment income	4	8,050	6,386
Claims paid			
Gross amount		(190,331)	(101,444)
Reinsurers' share		52,360	25,326
Net claims paid		(137,971)	(76,118)
Change in provision for claims			
Gross amount		(58,290)	(54,528)
Reinsurers' share		(7,051)	(13,911)
Net change in provision for claims		(65,341)	(68,439)
Claims incurred net of reinsurance		(203,312)	(144,557)
Net operating expenses	5	(128,743)	(128,031)
Investment expenses and charges		(441)	(180)
Balance on technical account for general business		33,227	46,765

**CHARIOT (II) UNDERWRITING LIMITED**  
**PROFIT AND LOSS ACCOUNT - NON TECHNICAL ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 £	2009 £
Balance on the general business technical account		33,227	46,765
Investment income	6	14,499	12,979
Other income	7	-	-
Other charges		(56,789)	(22,765)
(Loss)/Profit on ordinary activities before taxation	8	(9,063)	36,979
Tax on (loss)/profit on ordinary activities	17	(9)	(48)
(Loss)/Profit for the financial year		(9,072)	36,931

The company has no recognised gains or losses other than the (loss)/profit for the financial years stated above

All amounts above relate to continuing operations



# **CHARIOT (II) UNDERWRITING LIMITED**

## **BALANCE SHEET**

**AS AT 31 DECEMBER 2010**

ASSETS	Note	Syndicate Assets £	Corporate £	2010 Total £	2009 Total £
<b>Intangible assets</b>					
Syndicate participation rights	9	-	30,673	30,673	49,351
<b>Investments</b>					
Financial investments	10	417,177	129,363	546,540	345,651
Deposits with ceding undertakings		268	-	268	56
<b>Total investments</b>		<b>417,445</b>	<b>129,363</b>	<b>546,808</b>	<b>345,707</b>
<b>Reinsurers' share of technical provisions</b>					
Provision for unearned premiums		8,113	-	8,113	5,551
Claims outstanding		93,691	-	93,691	63,841
Other technical provisions		21,076	-	21,076	8,270
<b>Total reinsurers' share of technical provisions</b>		<b>122,880</b>	<b>-</b>	<b>122,880</b>	<b>77,662</b>
<b>Debtors</b>					
Arising out of direct insurance operations	11				
Policyholders		-	-	-	-
Intermediaries		70,955	-	70,955	63,882
Arising out of reinsurance operations	11	7,021	-	7,021	4,223
Other debtors	12	121,369	97,192	218,561	139,346
<b>Total debtors</b>		<b>199,345</b>	<b>97,192</b>	<b>296,537</b>	<b>207,451</b>
<b>Other assets</b>					
Cash at bank	13	38,257	1,319	39,576	28,221
Other		-	-	-	-
<b>Total other assets</b>		<b>38,257</b>	<b>1,319</b>	<b>39,576</b>	<b>28,221</b>
<b>Prepayments and accrued income</b>					
Accrued interest		288	-	288	131
Deferred acquisition costs		44,713	-	44,713	36,813
Other prepayments and accrued income		1,977	-	1,977	1,475
<b>Total prepayments and accrued income</b>		<b>46,978</b>	<b>-</b>	<b>46,978</b>	<b>38,419</b>
<b>Total assets</b>		<b>824,905</b>	<b>258,547</b>	<b>1,083,452</b>	<b>746,811</b>

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# CHARIOT (II) UNDERWRITING LIMITED

## BALANCE SHEET (continued)

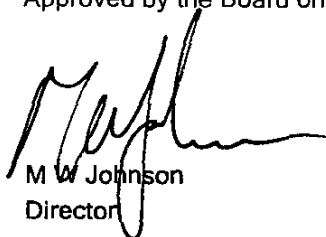
AS AT 31 DECEMBER 2010

	Note	Syndicate Liabilities £	Corporate £	2010 Total £	2009 Total £
<b>LIABILITIES</b>					
<b>Capital and reserves</b>					
Called-up share capital	14	-	50,000	50,000	50,000
Share premium account	15	-	-	-	-
Profit and loss account	15	-	(723,806)	(723,806)	(714,734)
<b>Shareholder's funds attributable to equity interests</b>	16	-	(673,806)	(673,806)	(664,734)
<b>Technical provisions</b>					
Provision for unearned premiums		270,909	-	270,909	152,361
Claims outstanding - gross amount		475,138	-	475,138	294,728
<b>Total technical provisions</b>		746,047	-	746,047	447,089
<b>Provisions for other risks and charges</b>					
Provision for taxation	17	-	-	-	-
<b>Deposits received from reinsurers</b>		-	-	-	-
<b>Creditors</b>					
Arising out of direct insurance operations		11,174	-	11,174	2,565
Arising out of reinsurance operations		27,331	-	27,331	17,022
Amounts due to credit institutions		-	-	-	-
Other creditors	18	35,260	929,953	965,213	936,930
<b>Total creditors</b>		73,765	929,953	1,003,718	956,517
<b>Accruals and deferred income</b>					
Other accruals and deferred income		5,093	2,400	7,493	7,939
<b>Total liabilities</b>		824,905	258,547	1,083,452	746,811

Approved by the Board on

16 Sep

2011 and signed on its behalf by

  
M W Johnson  
Director

Company Registration No. 03406789

**CHARIOT (II) UNDERWRITING LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 £	2009 £
Net cash (outflow)/inflow from operating activities	19	(806,627)	34,570
Returns on investments and servicing of finance			
Interest received		31	253
Dividends received		7,479	3,134
Net cash inflow from returns on investments and servicing of finance		7,510	3,387
Taxation			
UK corporation tax paid		-	-
Foreign tax paid		(9)	(48)
Net cash outflow from taxation		(9)	(48)
Capital expenditure and financial investment			
Purchase of syndicate participation rights		(10,756)	(29,876)
Proceeds from sale of syndicate participation rights		-	-
Purchase of investments		-	(60,209)
Proceeds from sale of investments		-	-
Net cash outflow from capital expenditure and financial investment		(10,756)	(90,085)
Net cash outflow before financing		(809,882)	(52,176)
Financing			
Funds lent to the company by the company's shareholders		806,254	56,280
Net cash inflow from financing		806,254	56,280
(Decrease)/Increase in cash		(3,628)	4,104
Net funds at 1 January		4,947	843
(Decrease)/Increase in cash in the year		(3,628)	4,104
Net funds at 31 December		1,319	4,947

The Company has no control over the disposition of assets and liabilities at Lloyd's. Consequently, the Cash Flow Statement is prepared reflecting only the movement in corporate funds, which includes transfers to and from the Syndicates at Lloyd's.

# **CHARIOT (II) UNDERWRITING LIMITED**

## **NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES**

### **FOR THE YEAR ENDED 31 DECEMBER 2010**

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#### **1 Accounting policies**

##### **1.1 Basis of preparation**

The Financial Statements have been prepared in accordance with the Companies Act 2006 and Regulation 6 of Schedule 3 to the Large and Medium Sized Companies And Groups (Accounts and Reports) Regulations 2008 and the recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in 2005. They are prepared under the historical cost basis of accounting modified to include the revaluation of investments, and comply with applicable accounting standards.

##### **Basis of accounting**

The technical account has been prepared on an annual basis of accounting, whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums net of re-insurance. Amounts reported in the technical account relate to movements in the period in respect of all relevant years of account of the Syndicates on which the company participates.

Accounting information in respect of the Syndicate participations has been provided by the Syndicate managing agents through an information exchange facility operated by Lloyd's and has been reported on by the Syndicate auditors.

Assets and liabilities arising as a result of the underwriting activities are mainly controlled by the Syndicates' managing agents and are shown separately on the Balance Sheet as "Syndicate Assets" and "Syndicate Liabilities". The assets are held subject to trust deeds for the benefit of the Syndicates' insurance creditors.

In continuing to apply the going concern basis to this Company's Financial Statements the following factors have been taken into account: the likely timing of any underwriting and non-underwriting cash flows, any Funds at Lloyd's supporting the Company's underwriting and not reflected in the Company's Balance Sheet and the continued support of the Directors and Shareholders including the potential deferral of balances due to them.

##### **General business**

##### **i Premiums**

Gross premiums are accounted for in the period in which the risk commences, together with adjustments to premiums written in previous accounting periods. Future premiums relating to risks commencing in the period are based upon estimates made by the Syndicates' management. Other adjustments are accounted for as arising.

##### **ii Unearned premiums**

Written premium is earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis having regard where appropriate, to the incidence of risk. The specific basis adopted by each Syndicate is determined by the relevant managing agent.

##### **iii Deferred acquisition costs**

Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned.

##### **iv Reinsurance premiums**

Reinsurance premium costs are allocated by the Managing Agent of each Syndicate to reflect the protection arranged in respect of the business written and earned.

## **CHARIOT (II) UNDERWRITING LIMITED**

### **NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2010**

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#### **v Claims**

Provision is made for the estimated cost of claims outstanding at the end of the year, including those incurred but not reported at that date, and for the related cost of settlement. Claims incurred comprise amounts paid or provided in respect of claims occurring during the current year, together with the amount by which settlement or reassessment of claims from previous years differs from the provision at the beginning of the year.

The claims provision determined by the managing agent will have been based on information that was currently available at the time. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided and will be reflected in the financial statements for the period in which the adjustment is made.

#### **vi Closed years of account**

At the end of the third year, the underwriting account is normally closed by reinsurance into the following year of account. The amount of the reinsurance to close premium payable is determined by the managing agent, generally by estimating the cost of claims notified but not settled at 31 December, together with the estimated cost of claims incurred but not reported at that date, and an estimate of future claims handling costs.

Any subsequent variation in the ultimate liabilities of the closed year of account is borne by the underwriting year into which it is reinsured.

The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring Syndicate was unable to meet its obligations, and the other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle outstanding claims.

The Directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle the liabilities outstanding at the closure of an underwriting account. The company has included its share of the reinsurance to close premiums payable as technical provisions at the end of the current period, and no further provision is made for any potential variation in the ultimate liability of that year of account.

#### **vii Run-off years of account**

Where an underwriting year of account is not closed at the end of the third year (a "run-off" year of account) a provision is made for the estimated cost of all known and unknown outstanding liabilities of that year. The provision is determined initially by the managing agent on a similar basis to the reinsurance to close. However, any subsequent variation in the ultimate liabilities for that year remains with the corporate member participating therein. As a result any run-off year will continue to report movements in its results after the third year until such time as it secures a reinsurance to close.

#### **viii Investments and allocated investment income**

In accordance with Lloyd's current accounting practice, investments are stated at market value, including accrued interest at the Balance Sheet date. Investment income is included in the General Business Technical Account reflecting that earned on the investment portfolio managed by the Syndicates. The allocated investment income therefore comprises income received and investment profits and losses arising in the calendar year including appreciation/depreciation and accrued interest consequent upon the revaluation of investments at 31 December. All gains and losses on investments are treated as realised at the Balance Sheet date.

## **CHARIOT (II) UNDERWRITING LIMITED**

### **NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2010**

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**ix Basis of currency translation**

Syndicates maintain separate funds in Sterling, United States and Canadian dollars, and may also do so in certain other currencies. All transactions where separate currencies are maintained are translated into Sterling at the rates of exchange ruling at the Balance Sheet date. Transactions during the year in other overseas currencies are expressed in Sterling at the rates ruling at the transaction date.

**x Debtors/creditors arising from insurance/reinsurance operations**

The amounts shown in the Balance Sheet include the totals of all the Syndicates outstanding debit and credit transactions. No account has been taken of any offsets which may be applicable in calculating the net amounts due between the Syndicates and each of their counterparty insureds, reinsurers or intermediaries as appropriate.

**xi Distribution of profits and collection of losses**

Lloyd's operates a detailed set of regulations regarding solvency and the distribution of profits and payment of losses between Syndicates and their members. Lloyd's continues to require membership of Syndicates to be on an underwriting year of account basis and profits and losses belong to members according to their membership of a year of account. Normally profits and losses are transferred between the Syndicate and members after results for a year of account are finalised after 36 months. This period may be extended if a year of account goes into run-off. The Syndicate may make earlier on account distributions or cash calls according to the cash flow of a particular year of account and subject to Lloyd's requirements.

#### **1.2 Deferred Taxation**

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities have not been discounted.

#### **1.3 Intangible assets**

Costs incurred by the Company in the Corporation of Lloyd's auctions in order to acquire rights to participate on Syndicates' underwriting years are included within intangible assets and amortised over a 3 year period beginning with the respective year of Syndicate participation.

#### **1.4 Investments**

Investments held directly by the company, by trustees of the Premium Trust Fund, or as the Lloyd's Deposit, are stated at market value.

# **CHARIOT (II) UNDERWRITING LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010**

2 Class of business	Gross written premiums £	Gross premiums earned £	Gross claims incurred £	Operating expenses £	Reinsurance balance £
<b>2010</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Direct</b>					
Accident and health	4,331	3,626	(2,000)	(1,497)	(165)
Motor - third party liability	424	262	(157)	(90)	6
Motor - other classes	167	1,327	(2,257)	(500)	(302)
Marine, aviation and transport	87,210	77,553	(40,193)	(27,410)	(975)
Fire and other damage to property	135,586	127,443	(51,970)	(44,878)	(18,904)
Third party liability	11,732	10,195	(4,124)	(3,899)	(1,551)
Credit and suretyship	2,438	2,448	(568)	(709)	(1,684)
Other	52	48	(8)	(22)	(2)
<b>Total direct</b>	<b>241,940</b>	<b>222,902</b>	<b>(101,277)</b>	<b>(79,005)</b>	<b>(23,577)</b>
<b>Reinsurance business</b>					
Reinsurance balance	221,313	214,312	(147,344)	(49,738)	(10,655)
<b>Total</b>	<b>463,253</b>	<b>437,214</b>	<b>(248,621)</b>	<b>(128,743)</b>	<b>(34,232)</b>
<b>2009</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Direct</b>					
Accident and health	2,673	2,601	(1,214)	(1,117)	(354)
Motor - third party liability	146	140	(80)	(47)	-
Motor - other classes	3,976	3,625	(1,044)	(1,629)	(286)
Marine, aviation and transport	65,964	66,554	(29,550)	(26,255)	(7,411)
Fire and other damage to property	123,029	120,197	(55,794)	(46,228)	(18,500)
Third party liability	14,577	13,980	(5,644)	(5,408)	(3,268)
Credit and suretyship	3,293	3,370	(3,195)	(889)	836
Other	46	58	(32)	(26)	(3)
<b>Total direct</b>	<b>213,704</b>	<b>210,525</b>	<b>(96,553)</b>	<b>(81,599)</b>	<b>(28,986)</b>
<b>Reinsurance business</b>					
Reinsurance balance	178,141	166,292	(59,419)	(46,432)	(23,269)
<b>Total</b>	<b>391,845</b>	<b>376,817</b>	<b>(155,972)</b>	<b>(128,031)</b>	<b>(52,255)</b>

Any open year loss provisions, stop loss premiums and stop loss recoveries have been allocated across the classes of business by reference to the gross premiums written

## CHARIOT (II) UNDERWRITING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2010

3	Geographical analysis	2010	2009
		£	£
	Direct gross premiums written in:		
	United Kingdom	241,940	213,704
	Other EU member states	-	-
	The rest of the world	-	-
	Total	241,940	213,704
4	Allocated investment income	2010	2009
		£	£
	Investment income	7,766	5,150
	Realised gain on investments	284	1,236
	Total	8,050	6,386
5	Net operating expenses	2010	2009
		£	£
	Acquisition costs	95,029	85,237
	Administrative expenses	37,394	27,634
	(Profit)/Loss on exchange	(3,680)	15,160
	Total	128,743	128,031



## CHARIOT (II) UNDERWRITING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2010

6	Investment income	2010 £	2009 £
	Income from other investments (including interest receivable)	7,510	3,387
	Realised gain from other investments	-	-
	Unrealised gain from other investments	6,989	9,592
	<b>Total</b>	<b>14,499</b>	<b>12,979</b>

7	Other income	2010 £	2009 £
	Profit on sale of syndicate participation rights	-	-
	Other	-	-
	<b>Total</b>	<b>-</b>	<b>-</b>

8	(Loss)/Profit on ordinary activities before taxation	2010 £	2009 £
	This is stated after charging		
	Auditor's remuneration - audit	400	1,285
	Auditor's remuneration - other	230	299
	Amortisation of syndicate capacity	29,434	19,476

The company has no employees

# **CHARIOT (II) UNDERWRITING LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

9 Intangible assets		Syndicate Participation Rights
		£
<b>Cost</b>		
At 1 January 2010		88,303
Additions		10,756
Disposals		-
At 31 December 2010		99,059
<b>Amortisation</b>		
At 1 January 2010		38,952
Charge for the year		29,434
Impairment losses		-
Disposals		-
At 31 December 2010		68,386
<b>Net book value</b>		
At 31 December 2010		30,673
At 31 December 2009		49,351

10 Investments Financial investments			2010	2009
	Syndicate	Corporate	Total	Total
	£	£	£	£
<i>At market value</i>				
Shares and other variable yield securities	86,277	129,363	215,640	167,114
Debt securities and other fixed income securities	309,047	-	309,047	166,573
Participation in investment pools	4,634	-	4,634	1,266
Loans guaranteed by mortgage	9,678	-	9,678	7,620
Other loans	537	-	537	-
Deposits with credit institutions	6,921	-	6,921	3,078
Other	83	-	83	-
<b>Total</b>	<b>417,177</b>	<b>129,363</b>	<b>546,540</b>	<b>345,651</b>

The corporate investments held include £129,363 (2009 £122,374) at market value in respect of Lloyd's deposits that are held in accordance with the constraints detailed in note 20

# **CHARIOT (II) UNDERWRITING LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)** **FOR THE YEAR ENDED 31 DECEMBER 2010**

### **10 Investments Financial investments (continued)**

	Syndicate	Corporate	2010 Total	2009 Total
	£	£	£	£
<i>At cost</i>				
Shares and other variable yield securities	85,934	143,953	229,887	188,540
Debt securities and other fixed income securities	310,122	-	310,122	165,913
Participation in investment pools	4,474	-	4,474	1,266
Loans guaranteed by mortgage	9,628	-	9,628	7,445
Other loans	537	-	537	-
Deposits with credit institutions	6,921	-	6,921	3,078
Other	83	-	83	-
<b>Total</b>	<b>417,699</b>	<b>143,953</b>	<b>561,652</b>	<b>366,242</b>

### **11 Debtors arising out of direct insurance and reinsurance operations**

	Syndicate	Corporate	2010 Total	2009 Total
	£	£	£	£
The following amounts are due after one year				
Direct insurance operations	28,457	-	28,457	13,980
Reinsurance operations	151	-	151	-
<b>Total</b>	<b>28,608</b>	<b>-</b>	<b>28,608</b>	<b>13,980</b>

### **12 Other debtors**

	Syndicate	Corporate	2010 Total	2009 Total
	£	£	£	£
Deferred tax	-	-	-	-
Other	121,369	97,192	218,561	139,346
<b>Total</b>	<b>121,369</b>	<b>97,192</b>	<b>218,561</b>	<b>139,346</b>

Corporate other debtors includes £39,819 (2009 £38,887) due to the company after more than one year.  
 Syndicate other debtors includes £7,136 (2009 £5,701) due to the company after more than one year.

### **13 Cash at bank**

	Syndicate	Corporate	2010 Total	2009 Total
	£	£	£	£
Lloyd's deposit	16,073	8	16,081	18,776
Cash at bank and in hand	22,184	1,311	23,495	9,445
<b>Total</b>	<b>38,257</b>	<b>1,319</b>	<b>39,576</b>	<b>28,221</b>

Any Lloyd's deposit is held in accordance with the constraints detailed in note 20

# CHARIOT (II) UNDERWRITING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2010

14	Share capital	2010 £	2009 £
	<i>Allotted, called up and fully paid</i>		
	50,000 Ordinary shares of £1 00 each	50,000	50,000
15	Statement of movements on reserves	Share premium account £	Profit and loss account £
	At 1 January 2010	-	(714,734)
	Loss during the year	-	(9,072)
	At 31 December 2010	-	(723,806)
16	Reconciliation of movements in shareholders' funds	2010 £	2009 £
	Retained (loss)/profit for the financial year	(9,072)	36,931
	Proceeds from the issue of shares	-	-
	Net (depletion in)/addition to shareholders' funds	(9,072)	36,931
	Opening shareholders' funds	(664,734)	(701,665)
	Closing shareholders' funds	(673,806)	(664,734)
17	Taxation	2010 £	2009 £
	<i>Analysis of charge in year</i>		
	<i>Current tax</i>		
	UK Corporation Tax on profits of the year	-	-
	Adjustments in respect of prior years	-	-
	Foreign tax	9	48
	Total current tax	9	48

## CHARIOT (II) UNDERWRITING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2010

17 Taxation (continued)	2010 £	2009 £
<i>Analysis of charge in year</i>		
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	-
Changes in tax rates	-	-
Adjustment to the estimated recoverable amounts of deferred tax assets arising in prior years	-	-
Other items	-	-
<b>Total deferred tax</b>	<b>-</b>	<b>-</b>
 Tax on (loss)/profit on ordinary activities	 <b>9</b>	 <b>48</b>

#### *Factors affecting tax charge for the year*

The tax assessed for the year is higher (2009 - lower) than the standard rate of Corporation Tax in the UK of 21 00% (2009 - 21 00%) The differences are explained below

	2010 £	2009 £
(Loss)/Profit on ordinary activities before taxation	(9,063)	36,979
(Loss)/Profit on ordinary activities before taxation multiplied by the standard rate of Corporation Tax in the UK of 21 00% (2009 - 21 00%)	(1,903)	7,766
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	-
Timing differences arising from the taxation of the underwriting results	(4,475)	(3,370)
Timing differences arising from the taxation of syndicate participation movements	-	-
Tax losses carried forward/(Utilisation of tax losses)	6,378	(4,396)
Adjustments to tax charge in respect of prior periods	-	-
Other adjustments	9	48
<b>Current tax charge for the year</b>	<b>9</b>	<b>48</b>

#### *Factors that may affect future tax charges*

The company has trading losses of £716,797 (2009 - £686,438) available for carry forward against future trading profits

# CHARIOT (II) UNDERWRITING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2010

17 Taxation (continued)	2010 £	2009 £
<i>Provision for deferred tax</i>		
At 1 January 2010	-	-
Charge to the profit and loss account	-	-
Released or utilised in the year	-	-
At 31 December 2010	-	-

Full provision has been made for all timing differences apart from the recovery of taxation losses against future trading profits, which cannot be prudently anticipated at this time

The deferred tax asset not provided for in respect of Corporation Tax losses, and deferred tax losses not yet assessable to Corporation Tax, amounted to £136,416 (2009 - £126,382).

18 Other creditors	Syndicate £	Corporate £	2010 £	2009 £
Other creditors	35,260	4,879	40,139	818,110
Social security costs	-	-	-	-
Corporation tax	-	-	-	-
Shareholders' loan account	-	925,074	925,074	118,820
	35,260	929,953	965,213	936,930

The above shareholders' loan has been included in the related party transactions note 21

19 Reconciliation of operating (loss)/profit before interest to net cash (outflow)/inflow from operating activities	2010 £	2009 £
Operating (loss)/profit before interest	(23,562)	24,000
Current year result not distributable in year	(33,227)	(46,765)
Prior year result distributable in year	(110)	-
Loss on sale of syndicate participation rights	-	-
Decrease in creditors	(789,388)	(5,952)
Decrease in debtors	10,226	43,811
Amortisation and impairment of syndicate participation rights	29,434	19,476
Net cash (outflow)/inflow from operating activities	(806,627)	34,570

## **CHARIOT (II) UNDERWRITING LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2010**

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#### **20 Fund's at Lloyd's**

Cash balances of £8 (2009 £4,947) detailed in note 13 and investments of £129,363 (2009 £122,374) detailed in note 10 are held within the company's Lloyd's deposit

The Lloyd's deposit represents funds deposited with the Corporation of Lloyd's (Lloyd's) to support the company's underwriting activities as described in the accounting policies. The company has entered into a legal agreement with Lloyd's which gives the Corporation the right to apply these funds in settlement of any claims arising from the company's participation on Lloyd's Syndicates. These funds can only be released from the provision of this deed with Lloyd's express permission and only in circumstances where the amounts are either replaced by an equivalent asset or after the expiration of the company's liabilities in respect of its underwriting.

In addition to these amounts, the shareholders of the company have also made available to Lloyd's assets amounting to approximately £1,108,000 (2009 £812,000) which are also used by the company to support its Lloyd's underwriting.

#### **21 Related party transactions**

At the year end the company owed £Nil (2009 - £58,427) to Nameco (No. 48) Limited. During 2010 the company acquired syndicate capacity with a tax written down value of £10,226 from Chariot (I) Underwriting Limited, a fellow subsidiary company. At the year end the company was owed £25,078 (2009 £35,303) by Chariot (I) Underwriting Limited. No interest is payable on the amount outstanding.

At the year end the company owed £Nil (2009 £791,671) to Chariot Incorporated Limited. Chariot Incorporated Limited was dissolved during the year.

At the end of the year the company was a wholly owned subsidiary of KIRLY Limited. £925,074 (2009 - £60,393) was owed to KIRLY Limited at the year end. This amount is included within shareholders' loan account in note 18.

Mr and Mrs Johnson are the main shareholders of KIRLY Limited. They are both underwriting members of Lloyd's and, therefore, may be members of the same syndicates as the company or may trade with the company. They are also interested in the share capital of NW Brown and Company and Mr Johnson is a director of that company. NW Brown and Company arranges and advises the company on its investments.

## CHARIOT (II) UNDERWRITING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2010

#### 22 Syndicates

The company is or was an Underwriting Member of the following Syndicate(s) or MAPA's

Syn No	Managing agent	2011 Allocated Capacity	2010 Allocated Capacity	2009 Allocated Capacity	2008 Allocated Capacity
0260	KGM Underwriting Agencies Limited	600,000	-	-	-
0318	Beaufort Underwriting Agency Limited	24,284	24,284	21,780	21,780
0510	R J Kiln & Co Limited	300,000	-	-	-
0557	R J Kiln & Co Limited	125,448	150,000	100,000	100,000
0570	Atrium Underwriters Limited	14,218	14,218	12,298	12,298
0609	Atrium Underwriters Limited	20,620	20,620	14,979	16,157
0727	S A Meacock & Co Limited	90,254	-	-	-
0807	R J Kiln & Co Limited	174,345	-	-	-
1969	Marlborough Underwriting Agency Limited	50,000	-	-	-
2010	Cathedral Underwriting Limited	122,471	122,471	104,973	104,973
2121	Argenta Syndicate Management Limited	223,591	195,642	145,335	125,772
2791	Managing Agency Partners Limited	300,001	100,000	-	-
6106	Amlin Underwriting Limited	228,888	16,955	16,955	-
		£ 2,274,120	£ 644,190	£ 416,320	£ 380,980