

Company registration number: 3599698

## Silver Lining 55 Limited

### Report and financial statements 31 December 2011

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# **Silver Lining 55 Limited**

## **Company information**

### **Directors**

Mr M G H Heald  
Mrs L J F Heald  
Miss E M A Heald

### **Company Secretary**

Argenta Secretariat Limited

### **Registered Office**

Fountain House  
130 Fenchurch Street  
London EC3M 5DJ

### **Auditors**

Mazars LLP  
Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD

### **Accountants**

Argenta Tax & Corporate Services Limited  
Fountain House  
130 Fenchurch Street  
London EC3M 5DJ

# Silver Lining 55 Limited

## Report of the Directors

The Directors submit their Report together with the audited financial statements of the Company for the year ended 31 December 2011

### Principal Activities and Business Review

The principal activity of the Company is that of trading as a Lloyd's corporate capital member. The Company continues to underwrite for the 2012 year of account.

The financial statements incorporate the annual accounting results of the syndicates on which the Company participates for the 2009, 2010 and 2011 years of account, as well as any 2008 and prior run-off years. The 2009 year closed at 31 December 2011 with a result of £99,829 (2008 - £32,511). The 2010 and 2011 open underwriting account will normally close at 31 December 2012 and 2013.

### Results and Dividends

The results for the year are set out on pages 6 to 7 of the financial statements. Dividends totalling £38,430 were paid in the year (2010 - £-).

### 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 Syndicate's 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

	2011	2010
Capacity (youngest underwriting year)	£ 1,011,399	£ 950,558
Gross premium written as a % of capacity	109.1%	104.1%
Underwriting profit of latest closed year		
as a % of capacity	12.9%	6.6%
Run-off years of account movement	£ -	£ 7,761
Combined ratio	115.4%	97.7%

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

### Directors

The Directors who served at any time during the year were as follows:

Mr M G H Heald  
Mrs L J F Heald  
Miss E M A Heald

# Silver Lining 55 Limited

## Report of the Directors (continued)

### 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 period. 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 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.

### Auditors

Mazars LLP have signified their willingness to act and continue to be appointed as the Company's auditors.

**In the case of each of the persons who are Directors at the time this report is approved, the following applies:**

- (a) So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board on 30<sup>th</sup> June 2012  
and signed on its behalf by

  
M G H HEALD  
Director

# **Silver Lining 55 Limited**

## **Independent Auditor's report**

### **Independent auditor's report to the members of Silver Lining 55 Limited**

We have audited the financial statements of Silver Lining 55 Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. 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).

### **Respective responsibilities of the 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 (APB's) Ethical Standards for Auditors. This report, including our opinion, 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. 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 an auditor's report 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.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### **Opinion on the 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 2011 and of its profit/(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 the 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.


# Silver Lining 55 Limited

## Independent Auditor's report (continued)

### 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 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, 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

  
**Markham Grice (Senior statutory auditor)**  
for and on behalf of Mazars LLP  
Chartered Accountants and Statutory auditor  
Tower Bridge House  
St Katharine s Way  
London E1W 1DD

3 July 2012

## Silver Lining 55 Limited

### Profit and loss account Technical account – general business For the year ended 31 December 2011

	Note	2011 £	2010 £
<b>Premiums written</b>			
Gross premiums written	1	1,103,745	989,443
Outward reinsurance premiums	1	(194,967)	(167,564)
<b>Net premiums written</b>		<u>908,778</u>	<u>821,879</u>
<b>Change in the provision for unearned premiums</b>			
Gross provision	1	(34,214)	(5,861)
Reinsurers' share	1	(7,526)	(4,152)
<b>Earned premiums, net of reinsurance</b>		<u>867,038</u>	<u>811,866</u>
<b>Allocated investment return transferred from the non-technical account</b>		13,910	13,290
<b>Other technical income, net of reinsurance</b>		-	464
<b>Claims paid</b>			
Gross amount	1	(568,044)	(390,291)
Reinsurers' share	1	86,398	54,954
<b>Net claims paid</b>		<u>(481,646)</u>	<u>(335,337)</u>
<b>Change in provision for claims</b>			
Gross amount	1	(280,816)	(125,190)
Reinsurers' share	1	125,456	24,278
<b>Change in net provision for claims</b>		<u>(155,360)</u>	<u>(100,912)</u>
<b>Claims incurred, net of reinsurance</b>		<u>(637,006)</u>	<u>(436,249)</u>
<b>Changes in other technical provisions, net of reinsurance</b>		-	-
Net operating expenses	1, 2	(363,881)	(356,504)
<b>Other technical charges, net of reinsurance</b>		<u>-</u>	<u>-</u>
<b>Balance on the technical account for general business</b>		<u>(119,939)</u>	<u>32,867</u>

The accounting policies and notes on pages 11 to 22 form part of these Financial Statements

## Silver Lining 55 Limited

### Profit and loss account Non - technical account For the year ended 31 December 2011

	Note	2011 £	2010 £
<b>Balance on technical account for general business</b>		(119,939)	32,867
Investment income	3	21,267	20,168
Unrealised gains on investments		4,218	3,102
Investment expenses and charges	4	(5,595)	(4,967)
Unrealised losses on investments		(5,946)	(4,971)
Allocated investment return transferred to the general business technical account		(13,910)	(13,290)
Other income		-	-
Other charges		1,986	(40,576)
<b>Profit/(loss) on ordinary activities before taxation</b>	5	(117,919)	(7,667)
Tax on profit/(loss) on ordinary activities	6	15,835	3,383
<b>Profit/(loss) for the financial year</b>	13	(102,084)	(4,284)

The Company has no recognised gains or losses other than the profit or loss for the year

All amounts relate to continuing operations

In accordance with the amendment to the Financial Reporting Standard 3 'Reporting Financial Performance', the inclusion of unrealised gains and losses in the profit and loss account to reflect the marking to market of investments in the balance sheet is deemed not to be a material departure from the historical cost basis of accounting. Accordingly, a separate note of historical cost profits and losses is not given.

The accounting policies and notes on pages 11 to 22 form part of these Financial Statements



# Silver Lining 55 Limited

## Balance sheet As at 31 December 2011

		31 December 2011			31 December 2010		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
<b>Assets</b>							
<b>Intangible assets</b>	8	-	13,183	13,183	-	18,074	18,074
<b>Investments</b>							
Financial investments	9	561,625	-	561,625	515,156	-	515,156
Deposits with ceding undertakings		268	-	268	103	-	103
		561,893	-	561,893	515,259	-	515,259
<b>Reinsurers' share of technical provisions</b>							
Provision for unearned premiums		43,964	-	43,964	51,120	-	51,120
Claims outstanding		305,936	-	305,936	184,336	-	184,336
Other technical provisions		-	-	-	-	-	-
		349,900	-	349,900	235,456	-	235,456
<b>Debtors</b>							
Arising out of direct insurance operations		247,135	-	247,135	198,654	-	198,654
Arising out of reinsurance operations		171,126	-	171,126	142,592	-	142,592
Other debtors	10	153,846	55,612	209,458	97,306	19,180	116,486
		572,107	55,612	627,719	438,552	19,180	457,732
<b>Other assets</b>							
Cash at bank and in hand		55,999	14	56,013	61,545	11,650	73,195
Other		123,838	-	123,838	100,664	-	100,664
		179,837	14	179,851	162,209	11,650	173,859
<b>Prepayments and accrued income</b>							
Accrued interest		953	-	953	739	-	739
Deferred acquisitions costs		110,341	-	110,341	114,908	-	114,908
Other prepayments and accrued income		3,585	-	3,585	3,145	-	3,145
		114,879	-	114,879	118,792	-	118,792
<b>Total assets</b>		1,778,616	68,809	1,847,425	1,470,268	48,904	1,519,172

The accounting policies and notes on pages 11 to 22 form part of these Financial Statements

# Silver Lining 55 Limited

## Balance sheet As at 31 December 2011

		31 December 2011			31 December 2010		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
<b>Liabilities and shareholders' funds</b>							
<b>Capital and reserves</b>							
Called up share capital	12	-	1,250	1,250	-	1,250	1,250
Share premium account		-	-	-	-	-	-
Profit and loss account	13	(54,241)	19,452	(34,789)	98,937	6,788	105,725
<b>Shareholders' funds – attributable to equity interests</b>							
	14	(54,241)	20,702	(33,539)	98,937	8,038	106,975
<b>Technical provisions</b>							
Provision for unearned premiums		407,669	-	407,669	372,112	-	372,112
Claims outstanding – gross amount		1,183,274	-	1,183,274	796,950	-	796,950
Other technical provisions		-	-	-	-	-	-
<b>Provisions for other risks and charges</b>							
Deferred taxation	15	-	-	-	-	21,715	21,715
Other		-	-	-	-	-	-
<b>Deposit received from reinsurers</b>		300	-	300	-	-	-
<b>Creditors</b>							
Arising out of direct insurance operations		59,488	-	59,488	39,211	-	39,211
Arising out of reinsurance operations		119,401	-	119,401	111,564	-	111,564
Amounts owed to credit institutions		-	-	-	-	-	-
Other creditors including taxation and social security	16	92,391	6,154	98,545	51,459	3,705	55,164
		1,862,523	6,154	1,868,677	1,371,296	25,420	1,396,716
<b>Accruals and deferred income</b>		(29,666)	41,953	12,287	35	15,446	15,481
<b>Total liabilities</b>		1,778,616	68,809	1,847,425	1,470,268	48,904	1,519,172

Approved and authorised for issue by the Board of Directors on 30<sup>th</sup> June 2012  
and signed on its behalf by



Director  
M G H HEALD

Company registration number 3599698

The accounting policies and notes on pages 11 to 22 form part of these Financial Statements

# Silver Lining 55 Limited

## Cash flow statement For the year ended 31 December 2011

	Note	2011 £	2010 £
<b>Operating activities</b>			
Net cash inflow/(outflow) from operating activities	17(a)	28,612	15,396
<b>Returns on investments and servicing of finance</b>		-	-
<b>Capital expenditure</b>			
Purchase of syndicate capacity		(700)	(3,150)
Proceeds from sale of syndicate capacity		-	-
<b>Taxation</b>			
Corporation and overseas taxes (paid)/refunded		(1,118)	(13,820)
<b>Equity dividends paid</b>		(38,430)	-
<b>Financing</b>			
Issue of shares		-	-
Share issue expenses		-	-
Net cash inflow/(outflow) for the year	17(b)	<u>(11,636)</u>	<u>(1,574)</u>
<b>Cash flows were invested as follows:</b>			
Increase/(decrease) in cash holdings		(11,636)	(1,574)
Purchase of financial investments		-	-
Sale of financial investments		-	-
Net investment of cash flows	17(b)	<u>(11,636)</u>	<u>(1,574)</u>

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.

The accounting policies and notes on pages 11 to 22 form part of these Financial Statements

# **Silver Lining 55 Limited**

## **Notes to the Financial Statements For the year ended 31 December 2011**

### **Basis of preparation of financial statements**

#### **Basis of preparation**

The financial statements have been prepared in accordance with the provisions of Schedule 3 to SI 2008/410 and with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") in December 2005 (as amended in December 2006)

#### **Recognition of insurance transactions**

Preparing financial statements in accordance with SI 2008/410 requires the Company to recognise its proportion of all the transactions undertaken by the Lloyd's syndicates in which it participates ("the Syndicates")

The financial statements are prepared using the annual basis of accounting. Under the annual basis of accounting, a result is determined at the end of each accounting period reflecting the profit and loss from providing insurance coverage during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

For each such Syndicate, the Company's proportion of the underwriting transactions, investment return and operating expenses has been reflected within the Company's profit and loss account. Similarly, its proportion of the Syndicate's assets and liabilities has been reflected in its balance sheet (under the column heading "Syndicate"). The Syndicate's assets are held subject to trust deeds for the benefit of the Company's insurance creditors.

The proportion referred to above is calculated by reference to the Company's participation as a percentage of the Syndicate's total capacity.

The Company has delegated sole management and control of its underwriting through each Syndicate to the managing agent of the Syndicate ("the Managing Agent") and it has further undertaken not to interfere with the exercise of such management and control. The Managing Agents of the Syndicates are therefore responsible for determining the insurance transactions to be recognised by the Company. The only exception to this rule is the level of provision for outstanding claims.

#### **Sources of data**

The information used to compile the technical account and the "Syndicate" balance sheet is based on returns prepared for this purpose by the Managing Agents of the Syndicates ("the Returns"). These Returns have been subjected to audit by the Syndicate auditors and are based on the audited Syndicate returns to Lloyd's and the audited annual reports to Syndicate members.

The format of the Returns has been established by Lloyd's and Lloyd's has also been responsible for collating the data at a Syndicate level and analysing it into corporate member level results.

# Silver Lining 55 Limited

## Notes to the Financial Statements For the year ended 31 December 2011

### Accounting policies

#### i Accounting convention

The financial statements are prepared in accordance with appropriate accounting standards and under the historical cost convention as modified by the revaluation of financial investments

#### ii Going concern

As at 31 December 2011 the company had net liabilities of £33,539 (2010 net assets of £106,975). The directors consider the company to be a going concern and have prepared the financial statements on that basis. The company is continuing to underwrite at Lloyd's for the 2012 year of account.

#### iii Premiums

Premiums written comprise the total premiums receivable for the whole period of cover provided by the contracts incepting during the financial year, together with any adjustments arising in the year to such premiums receivable in respect of business written in prior years. Premiums are shown gross of commission payable to intermediaries and exclude insurance premium tax. Gross premiums written may include "reinsurance to close" premiums receivable (see vii below). Outward reinsurance premiums may include "reinsurance to close" premiums payable (see vii below). Premiums written by a Syndicate may also include the reinsurance of other syndicates on which the Company participates. No adjustments have been made to gross premiums written or outward reinsurance premiums (or to gross and reinsurers' claims) to remove this intersyndicate reinsurance. Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

#### iv Claims incurred

Claims incurred include the costs of claims handling expenses. Recoverable amounts arising out of subrogation or salvage are deducted from the cost of claims. Claims incurred comprise amounts paid or provided in respect of claims occurring during the year to 31 December, together with the amount by which settlement or reassessment of claims from prior years differ from the provision at the beginning of the year.

#### v Provision for claims outstanding

Claims outstanding comprise amounts set aside for claims notified and claims incurred but not yet reported (IBNR). Provision is made for claims incurred but not paid in respect of events up to 31 December. The provision is based on the Returns and reports from the Managing Agents and the Company's licensed adviser or Members' Agent. When appropriate, statistical methods have been applied to past experience of claims frequency and severity.

The two most critical assumptions as regard claims provisions are that the past is a reasonable predictor of the likely level of claims development, and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred. The directors consider the provision for gross claims and related reinsurance recoveries, as based on the Returns to be fairly stated. However, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made.

#### vi Unexpired risk provision

A provision for unexpired risk is made by the underlying Syndicates where claims, related expenses and deferred acquisition costs, likely to arise after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

# Silver Lining 55 Limited

## Notes to the Financial Statements For the year ended 31 December 2011

### Accounting policies (continued)

#### vii Reinsurance to close

A reinsurance to close is a particular type of reinsurance contract entered into by Lloyd's Syndicates. Under it, underwriting members (the reinsured members) who are members of a Syndicate for a year of account (the closed year), agree with underwriting members who comprise that or another syndicate for a later year of account (the reinsuring members) that the reinsuring members will indemnify, discharge or procure the discharge, of the reinsured members against all known and unknown liabilities of the reinsured members arising out of insurance business undertaken through that Syndicate and allocated to the closed year in consideration of

- (1) a premium, and
- (2) either

- (a) the assignment, or agreement to assign, to the reinsuring members of all the rights of the reinsured members arising out of, or in connection with, that insurance business (including without limitation the right to receive all future premiums, reinsurances and other monies receivable in connection with that insurance business), or
- (b) an agreement by the reinsured members that the reinsuring members shall collect on behalf of the reinsured members the proceeds of all such rights and retain them for their own benefit so far as they are not applied in discharges of the liabilities of the reinsured members

Where the reinsurance to close is between members on successive years of account of the same Syndicate, the Managing Agent has a duty to ensure both sets of members are treated equitably and to set the reinsurance to close with the intention that neither a profit nor a loss accrues to either group of members. To the extent that the Company participates on successive years of account of the same syndicate and there is a reinsurance to close between those years, the Company has offset its share of the reinsurance to close received against its share of the reinsurance to close paid.

If the Company has increased its participation from one year of account to the next, the reinsurance to close paid is eliminated, as a result of this offset, leaving an element of the reinsurance to close received. This reflects the fact that the Company has assumed a greater proportion of the business of the Syndicate. If the Company has reduced its participation from one year of account to the next, the reinsurance to close received is eliminated, leaving an element of the reinsurance to close paid. This reflects the reduction in the Company's exposure to risks previously written by the Syndicate. The reinsurance to close is technically a reinsurance contract and, as such, the payment of a reinsurance to close does not remove from members of that year of account ultimate responsibility for claims payable on risks they have written. If the reinsuring members under the reinsurance to close become insolvent and the other elements of the Lloyd's chain of security also fail, the reinsured members remain theoretically liable for the settlement of any outstanding claims. However, payment of a reinsurance to close is conventionally accepted as terminating a reinsured member's participation on a Syndicate year of account and it is treated for accounts purposes as settling all the Company's outstanding gross liabilities in respect of the business so reinsured.

#### viii Investments

**Syndicate** Where investments represent the Company's share of syndicate investments, they are stated at current value at the balance sheet date. For this purpose, listed investments are stated at market value and deposits with credit institutions and overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

**Corporate** Listed investments held directly by the Company, by the trustees of the Premiums Trust Fund, or as Lloyd's Deposit, are stated at market value. Unlisted investments held directly by the Company are stated at cost less provision for any permanent diminution in value.

# Silver Lining 55 Limited

## Notes to the Financial Statements For the year ended 31 December 2011

### Accounting policies (continued)

#### **ix Investment return**

Investment income comprises interest receivable and dividends received plus realised and unrealised gains on the disposal of investments. Realised gains and losses arise from the difference between proceeds and valuation at the previous year end, or cost if there has been no previous revaluation. Unrealised investment gains and losses are calculated as the difference between the valuation at the balance sheet date and the valuation at the last balance sheet date or purchase price, if acquired during the year. Investment income is initially recorded in the non-technical account. All investment income arising on Syndicate participations is allocated to the technical account.

#### **x Net operating expenses**

Operating expenses are recognised when incurred. They include the Company's share of Syndicate operating expenses, the remuneration payable to Managing Agents (and the Company's Members' Agent/licensed adviser) and the direct costs of membership of Lloyd's.

#### **xi Foreign currencies**

Transactions in United States dollars, Canadian dollars and Euros are translated at the rates of exchange ruling at the date the transaction is processed or at an appropriate average rate. Unless otherwise stated, transactions in currencies other than United States dollars, Canadian dollars and Euros are translated at the rate of exchange ruling at the date the transaction is processed. Monetary assets and liabilities are retranslated into Sterling at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities at the balance sheet date are maintained at the rate of exchange ruling when the contract was entered into (or an appropriate average rate). Exchange differences arising on translation are dealt with in the profit and loss account.

#### **xii Syndicate participation rights**

Where the Company has purchased the right to participate on Syndicates, the cost is capitalised and amortised in equal annual instalments over five years.

#### **xiii Taxation**

The Company is taxed on its share of the underwriting results declared by Syndicates and these are deemed to accrue evenly over the calendar year in which they are declared. The Syndicate results included in these financial statements (excluding any losses on open years of account) are only declared for tax purposes in the calendar year following closure of the year of account. HM Revenue & Customs agrees the taxable results of Syndicates at a Syndicate level on the basis of computations submitted by the Managing Agent. At the date of approval of these financial statements, the Syndicate taxable results of this year have not been agreed. Any adjustments that may be necessary to the tax provision as a result of HM Revenue & Customs agreement of Syndicate taxable results will be reflected in the financial statements of subsequent periods.

#### **xiv Deferred taxation**

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

# Silver Lining 55 Limited

## Notes to the Financial Statements For the year ended 31 December 2011

### 1. Class of Business

2011	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
<b>Direct Insurance</b>						
Accident and health	160,323	189,836	(80,442)	(107,305)	(2,582)	(493)
Motor – third party liability	6,187	5,928	(2,956)	(1,947)	(315)	710
Motor – other classes	8,272	9,240	(7,759)	(3,149)	(618)	(2,286)
Marine, aviation and transport	143,188	118,333	(56,714)	(33,769)	(7,262)	20,588
Fire and other damage to property	333,230	300,583	(201,999)	(107,776)	(18,171)	(27,363)
Third party liability	110,648	114,331	(71,030)	(42,833)	(9,280)	(8,812)
Credit and suretyship	18,062	23,738	(17,390)	(6,017)	(2,760)	(2,429)
Legal expenses	6,487	4,647	(1,202)	(2,749)	(151)	545
Assistance	-	-	-	-	-	-
Miscellaneous	(398)	(156)	33	(13)	(34)	(170)
	785,999	766,480	(439,459)	(305,558)	(41,173)	(19,710)
<b>Reinsurance</b>	317,746	303,051	(409,401)	(58,323)	50,534	(114,139)
<b>Total</b>	<b>1,103,745</b>	<b>1,069,531</b>	<b>(848,860)</b>	<b>(363,881)</b>	<b>9,361</b>	<b>(133,849)</b>

2010						
<b>Direct Insurance</b>						
Accident and health	211,058	193,934	(75,781)	(114,945)	(1,855)	1,353
Motor – third party liability	6,548	5,335	(2,942)	(1,820)	(174)	399
Motor – other classes	12,119	10,950	(5,671)	(3,884)	(106)	1,289
Marine, aviation and transport	72,769	71,434	(41,071)	(19,823)	(1,927)	8,613
Fire and other damage to property	248,445	240,881	(130,429)	(86,446)	(27,385)	(3,379)
Third party liability	110,515	106,363	(46,576)	(41,715)	(9,574)	8,498
Credit and suretyship	55,446	47,473	(25,208)	(12,408)	(6,908)	2,949
Legal expenses	6,655	6,856	(3,555)	(2,719)	(480)	102
Assistance	-	-	-	-	-	-
Miscellaneous	600	557	(11)	(478)	(6)	62
	724,155	683,783	(331,244)	(284,238)	(48,415)	19,886
<b>Reinsurance</b>	265,288	299,799	(184,237)	(72,266)	(44,069)	(773)
<b>Total</b>	<b>989,443</b>	<b>983,582</b>	<b>(515,481)</b>	<b>(356,504)</b>	<b>(92,484)</b>	<b>19,113</b>

All insurance business is underwritten in the UK in the Lloyd's insurance market, which has been treated as one geographical segment for the purpose of SSAP25 Segmental Reporting



# Silver Lining 55 Limited

## Notes to the Financial Statements For the year ended 31 December 2011

<b>2. Net Operating Expenses</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Acquisition costs	307,280	303,825
Change in deferred acquisition costs	5,035	(1,498)
Administrative expenses	44,895	47,123
Reinsurance commissions and profit participations	(14,086)	(15,948)
Personal expenses	20,757	23,002
	<u>363,881</u>	<u>356,504</u>
<b>3. Investment Income</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Income from investments	19,244	16,897
Gains on the realisation of investments	1,989	3,229
Bank deposit interest	34	42
	<u>21,267</u>	<u>20,168</u>
<b>4. Investment Expenses and Charges</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Investment management expenses, including interest	915	774
Losses on the realisation of investments	4,680	4,193
	<u>5,595</u>	<u>4,967</u>
<b>5. Profit/(Loss) on Ordinary Activities before Taxation</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Operating profit/(loss) is stated after charging		
Directors' remuneration	-	-
Amortisation of syndicate capacity	5,591	5,803
(Profit)/loss on disposal of intangible fixed assets	-	-
(Profit)/loss on exchange	(28,994)	15,065
The Company has no employees and no staff costs are met by the Company		
The fees payable to the Company's auditor for audit services are included in the fees payable to the Members Agent		

# Silver Lining 55 Limited

## Notes to the Financial Statements For the year ended 31 December 2011

<b>6. Taxation</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
<b>Analysis of charge in year</b>		
Current tax		
UK corporation tax on profit/(loss) of the year	4,436	-
Adjustment in respect of previous period	712	(5,936)
	5,148	(5,936)
Foreign tax	732	1,181
Total current tax	5,880	(4,755)
Deferred tax		
Origination and reversal of timing differences	(21,715)	1,372
	(15,835)	(3,383)
<b>Factors affecting tax charge for period</b>		
The tax assessed for the period is different to the standard rate of corporation tax in the UK of 20.25% (2010 - 21.00%) The differences are explained below		
Profit/(loss) on ordinary activities before tax	(117,919)	(7,667)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2010 – 21.00%)	(23,879)	(1,610)
Effects of		
Underwriting results subject to timing differences for taxation	26,734	(2,355)
Creation/(utilisation) of tax losses	-	3,071
Foreign tax	- 584	933
Expenses not deductible for tax purposes	-	-
Other corporation computation adjustments	1,730	1,142
Marginal rates of taxation and prior period adjustment	711	(5,936)
Current tax charge for the period	5,880	(4,755)

The results of the Company's participation on the 2009, 2010 and 2011 years of account and any calendar year movement on 2008 and prior run-offs, will not be assessed to tax until the year ended 31 December 2012, 2013 and 2014 respectively being the year after the calendar year result of each run-off year or the normal date of closure of each year of account

<b>7. Dividends</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
<b>Amounts recognised as distributions to equity holders in the period:</b>		
Interim dividends paid	38,430	-

# Silver Lining 55 Limited

## Notes to the Financial Statements For the year ended 31 December 2011

<b>8. Intangible Assets</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
<b>Purchased syndicate capacity</b>		
<b>Cost</b>		
At 1 January 2011	32,167	29,017
Additions	700	3,150
Disposals	-	-
At 31 December 2011	<u>32,867</u>	<u>32,167</u>
<b>Amortisation</b>		
At 1 January 2011	14,093	8,290
Provided during the year	5,591	5,803
Disposals	-	-
At 31 December 2011	<u>19,684</u>	<u>14,093</u>
<b>Net Book Value</b>		
At 31 December 2011	13,183	18,074
At 31 December 2010	<u>18,074</u>	<u>20,727</u>

## 9. Financial Investments

### Other financial investments – Syndicate

	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>Market</b>	<b>Cost</b>	<b>Market</b>	<b>Cost</b>
	<b>Value</b>	<b>£</b>	<b>Value</b>	<b>£</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Shares and other variable yield securities and units in unit trusts	88,232	87,751	82,057	82,036
Debt securities and other fixed income securities	451,260	451,366	416,526	416,827
Participation in investment pools	17,818	17,609	16,310	15,920
Loans secured by mortgages	2,793	2,790	-	-
Other loans	-	-	-	-
Deposits with credit institutions	1,492	1,492	172	172
Other	30	362	91	91
	<u>561,625</u>	<u>561,370</u>	<u>515,156</u>	<u>515,046</u>

Listed investments included in the market value above

Shares and other variable yield securities and units in unit trusts	88,232	82,057
Debt securities and other fixed income securities	451,260	416,526
	<u>539,492</u>	<u>498,583</u>

# Silver Lining 55 Limited

## Notes to the Financial Statements For the year ended 31 December 2011

### 10. Other Debtors

	2011			2010		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Amounts due from group undertakings	-	-	-	-	-	-
Other	153,846	55,612	209,458	97,306	19,180	116,486
	<u>153,846</u>	<u>55,612</u>	<u>209,458</u>	<u>97,306</u>	<u>19,180</u>	<u>116,486</u>

### 11. Funds at Lloyd's

The amount of Funds at Lloyd's is represented in the balance sheet as

	2011			2010		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Cash	-	13	13	-	11,650	11,650
Investments	-	-	-	-	-	-
	<u>-</u>	<u>13</u>	<u>13</u>	<u>-</u>	<u>11,650</u>	<u>11,650</u>

Funds at Lloyd's represents assets 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 Lloyd's Deposit Trust Deed which gives Lloyd's the right to apply these monies in settlement of any claims arising from the participation on the syndicates. These monies 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.

### 12. Called-up Share Capital

	2011	2011	2010	2010
	Authorised	Allotted, called-up and fully paid	Authorised	Allotted, called-up and fully paid
Ordinary 25p shares	<u>400,000</u>	<u>5,000</u>	<u>400,000</u>	<u>5,000</u>

# Silver Lining 55 Limited

## Notes to the Financial Statements For the year ended 31 December 2011

### 13. Profit and Loss Account

	2011			2010		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Retained profit/(loss) brought forward	98,937	6,788	105,725	96,874	13,135	110,009
Reallocate distribution	(32,510)	32,510	-	(37,621)	37,621	-
Profit/(loss) for the financial year	(120,668)	18,584	(102,084)	39,683	(43,967)	(4,284)
Equity dividends	-	(38,430)	(38,430)	-	-	-
Retained profit/(loss) carried forward	(54,241)	19,452	(34,789)	98,937	6,788	105,725

### 14. Reconciliation of Movements in Shareholders' Funds

	2011 £	2010 £
Opening shareholders' funds	106,975	111,259
Profit/(loss) for the financial year	(102,084)	(4,284)
Equity dividends	(38,430)	-
Proceeds from issue of shares	-	-
Closing shareholders' funds	(33,539)	106,975

### 15. Provision for Other Risks and Charges

Deferred Taxation	2011 £	2010 £
Opening balance	21,715	20,343
Profit and loss account charge	(21,715)	1,372
Closing balance	-	21,715

# Silver Lining 55 Limited

## Notes to the Financial Statements For the year ended 31 December 2011

### 16. Other Creditors including Taxation and Social Security

	2011			2010		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Corporation tax	-	5,148	5,148	-	386	386
Directors' loan accounts	-	-	-	-	-	-
Third party funds	-	-	-	-	-	-
Other creditors	92,391	1,006	93,397	51,459	3,319	54,778
Amount due to group undertakings	-	-	-	-	-	-
	92,391	6,154	98,545	51,459	3,705	55,164

### 17. (a) Reconciliation of Operating Profit/(Loss) to Net Cash Inflow/(Outflow) from Operating Activities

	2011 £	2010 £
Profit/(loss) on ordinary activities before tax	(117,919)	(7,667)
(Profit)/loss attributable to syndicate transactions	153,178	(2,063)
Profit/(loss) – excluding syndicate transactions	35,259	(9,730)
(Increase)/decrease in debtors	(36,432)	4,535
Increase/(decrease) in creditors	24,194	14,788
(Profit)/loss on disposal of intangible assets	-	-
Amortisation of syndicate capacity	5,591	5,803
Realised/unrealised (gains)/losses on investments	-	-
Net cash inflow/(outflow) from operating activities	28,612	15,396

### (b) Movement in Cash, Portfolio Investments and Financing

	At 1 January 2011 £	Cashflow £	Changes to Market Value £	At 31 December 2011 £
Cash	11,650	(11,636)	-	14
Other financial investments	-	-	-	-
	11,650	(11,636)	-	14

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## **Silver Lining 55 Limited**

### **Notes to the Financial Statements For the year ended 31 December 2011**

#### **18. Related Party Disclosure**

There are no related party issues to be disclosed in respect of the Company

#### **19. Ultimate Controlling Party**

The Company is controlled by Mrs L J F Heald who holds 55% of the issued £1,250 ordinary share capital