

Company registration number: 3599698

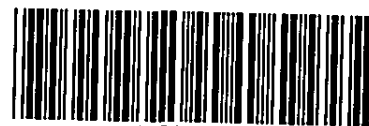
Silver Lining 55 Limited

Report and financial statements 31 December 2012

Contents:

Company information	1
Report of the directors	2
Independent auditor's report	4
Profit and loss account - technical account	6
Profit and loss account - non-technical account	7
Balance sheet	8
Cash flow statement	10
Notes to the financial statements	11

SATURDAY



A22 *A2A3560B* 08/06/2013 #294
COMPANIES HOUSE

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 2012

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 2013 year of account.

The financial statements incorporate the annual accounting results of the Syndicates on which the Company participates for the 2010, 2011 and 2012 years of account, as well as any 2009 and prior run-off years. The 2010 year closed at 31 December 2012 with a result of £(124,516) (2009 - £99,829). The 2011 and 2012 open underwriting account will normally close at 31 December 2013 and 2014.

Results and Dividends

The results for the year are set out on pages 6 to 7 of the financial statements. Dividends totalling £- were paid in the year (2011 - £38,430).

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:

	2012	2011
Capacity (youngest underwriting year)	£ 985,467	£ 1,011,399
Gross premium written as a % of capacity	104.0%	109.1%
Underwriting profit of latest closed year		
as a % of capacity	-13.1%	12.9%
Run-off years of account movement	£ -	£ -
Combined ratio	102.5%	115.4%

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.

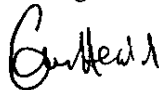
Auditors


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
and signed on its behalf by


M G H HEALD
Director

 2013

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 2012 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2012 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

6 June 2013

Silver Lining 55 Limited

Profit and loss account Technical account – general business For the year ended 31 December 2012

	Note	2012 £	2011 £
Premiums written			
Gross premiums written	1	1,025,172	1,103,745
Outward reinsurance premiums	1	(194,933)	(194,967)
Net premiums written		<u>830,239</u>	<u>908,778</u>
Change in the provision for unearned premiums			
Gross provision	1	(8,099)	(34,214)
Reinsurers' share	1	402	(7,526)
Earned premiums, net of reinsurance		<u>822,542</u>	<u>867,038</u>
Allocated investment return transferred from the non-technical account		15,646	13,910
Other technical income, net of reinsurance		-	-
Claims paid			
Gross amount	1	(543,134)	(568,044)
Reinsurers' share	1	117,876	86,398
Net claims paid		<u>(425,258)</u>	<u>(481,646)</u>
Change in provision for claims			
Gross amount	1	(128,567)	(280,816)
Reinsurers' share	1	14,336	125,456
Change in net provision for claims		<u>(114,231)</u>	<u>(155,360)</u>
Claims incurred, net of reinsurance		<u>(539,489)</u>	<u>(637,006)</u>
Changes in other technical provisions, net of reinsurance		-	-
Net operating expenses	1, 2	(303,751)	(363,881)
Other technical charges, net of reinsurance		-	-
Balance on the technical account for general business		<u>(5,052)</u>	<u>(119,939)</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 2012

	Note	2012 £	2011 £
Balance on technical account for general business		(5,052)	(119,939)
Investment income	3	18,486	21,267
Unrealised gains on investments		4,538	4,218
Investment expenses and charges	4	(4,163)	(5,595)
Unrealised losses on investments		(3,201)	(5,946)
Allocated investment return transferred to the general business technical account		(15,646)	(13,910)
Other income		15,457	-
Other charges		(42,470)	1,986
Profit/(loss) on ordinary activities before taxation	5	(32,051)	(117,919)
Tax on profit/(loss) on ordinary activities	6	(5,636)	15,835
Profit/(loss) for the financial year	13	(37,687)	(102,084)

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 2012

		31 December 2012			31 December 2011		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Assets							
Intangible assets	8	-	6,672	6,672	-	13,183	13,183
Investments							
Financial investments	9	695,705	-	695,705	561,625	-	561,625
Deposits with ceding undertakings		240	-	240	268	-	268
		695,945	-	695,945	561,893	-	561,893
Reinsurers' share of technical provisions							
Provision for unearned premiums		42,971	-	42,971	43,964	-	43,964
Claims outstanding		310,659	-	310,659	305,936	-	305,936
Other technical provisions		-	-	-	-	-	-
		353,630	-	353,630	349,900	-	349,900
Debtors							
Arising out of direct insurance operations		243,635	-	243,635	247,135	-	247,135
Arising out of reinsurance operations		187,548	-	187,548	171,126	-	171,126
Other debtors	10	110,867	111,274	222,141	153,846	55,612	209,458
		542,050	111,274	653,324	572,107	55,612	627,719
Other assets							
Cash at bank and in hand		35,840	17,344	53,184	55,999	14	56,013
Other		108,218	-	108,218	123,838	-	123,838
		144,058	17,344	161,402	179,837	14	179,851
Prepayments and accrued income							
Accrued interest		275	-	275	953	-	953
Deferred acquisitions costs		98,724	-	98,724	110,341	-	110,341
Other prepayments and accrued income		2,571	-	2,571	3,585	-	3,585
		101,570	-	101,570	114,879	-	114,879
Total assets		1,837,253	135,290	1,972,543	1,778,616	68,809	1,847,425

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 2012

	Note	31 December 2012			31 December 2011		
		Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Liabilities and shareholders' funds							
Capital and reserves							
Called up share capital	12	-	1,250	1,250	-	1,250	1,250
Share premium account		-	-	-	-	-	-
Profit and loss account	13	(167,291)	94,815	(72,476)	(54,241)	19,452	(34,789)
Shareholders' funds – attributable to equity interests	14	(167,291)	96,065	(71,226)	(54,241)	20,702	(33,539)
Technical provisions							
Provision for unearned premiums		406,812	-	406,812	407,669	-	407,669
Claims outstanding – gross amount		1,275,695	-	1,275,695	1,183,274	-	1,183,274
Other technical provisions		-	-	-	-	-	-
Provisions for other risks and charges							
Deferred taxation	15	-	-	-	-	-	-
Other		-	-	-	-	-	-
Deposit received from reinsurers		227	-	227	300	-	300
Creditors							
Arising out of direct insurance operations		28,693	-	28,693	59,488	-	59,488
Arising out of reinsurance operations		134,936	-	134,936	119,401	-	119,401
Amounts owed to credit institutions		-	-	-	-	-	-
Other creditors including taxation and social security	16	154,693	27,485	182,178	92,391	6,154	98,545
		2,001,056	27,485	2,028,541	1,862,523	6,154	1,868,677
Accruals and deferred income		3,488	11,740	15,228	(29,666)	41,953	12,287
Total liabilities		1,837,253	135,290	1,972,543	1,778,616	68,809	1,847,425

Approved and authorised for issue by the Board of Directors on
and signed on its behalf by

4 14 June 2013



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 2012

	Note	2012 £	2011 £
Operating activities			
Net cash inflow/(outflow) from operating activities	17(a)	1,769	28,612
Returns on investments and servicing of finance		-	-
Capital expenditure			
Purchase of Syndicate capacity		-	(700)
Proceeds from sale of Syndicate capacity		17,374	-
Taxation			
Corporation and overseas taxes (paid)/refunded		(1,813)	(1,118)
Equity dividends paid		-	(38,430)
Financing			
Issue of shares		-	-
Share issue expenses		-	-
Net cash inflow/(outflow) for the year	17(b)	<u>17,330</u>	<u>(11,636)</u>
Cash flows were invested as follows:			
Increase/(decrease) in cash holdings		17,330	(11,636)
Purchase of financial investments		-	-
Sale of financial investments		-	-
Net investment of cash flows	17(b)	<u>17,330</u>	<u>(11,636)</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 2012

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 2012

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 2012 the company had net liabilities of £71,226 (2011 £33,539). 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 2013 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 inter-Syndicate 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 2012

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 2012

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 2012

1. Class of Business

2012	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	44,852	59,519	(40,024)	(22,935)	(747)	(4,187)
Motor – third party liability	3,822	4,530	(2,103)	(1,496)	(185)	746
Motor – other classes	71,343	38,960	(28,596)	(15,783)	(744)	(6,163)
Marine, aviation and transport	153,434	146,575	(78,911)	(43,514)	(4,394)	19,756
Fire and other damage to property	341,432	346,476	(233,783)	(114,060)	(3,619)	(4,986)
Third party liability	84,425	93,568	(92,300)	(34,549)	(8,264)	(41,545)
Credit and suretyship	20,440	18,678	(7,462)	(4,733)	(4,297)	2,186
Legal expenses	4,269	4,960	(1,657)	(2,627)	(26)	650
Assistance	-	-	-	-	-	-
Miscellaneous	3,324	1,764	(691)	(1,044)	(7)	22
	727,341	715,030	(485,527)	(240,741)	(22,283)	(33,521)
Reinsurance	297,831	302,043	(186,174)	(63,010)	(40,036)	12,823
Total	1,025,172	1,017,073	(671,701)	(303,751)	(62,319)	(20,698)

2011	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
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)
Reinsurance	317,746	303,051	(409,401)	(58,323)	50,534	(114,139)
Total	1,103,745	1,069,531	(848,860)	(363,881)	9,361	(133,849)

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 2012

2. Net Operating Expenses	2012	2011
	£	£
Acquisition costs	250,235	307,280
Change in deferred acquisition costs	8,981	5,035
Administrative expenses	40,562	44,895
Reinsurance commissions and profit participations	(14,637)	(14,086)
Personal expenses	18,610	20,757
	303,751	363,881

3. Investment Income	2012	2011
	£	£
Income from investments	17,054	19,244
Gains on the realisation of investments	1,418	1,989
Bank deposit interest	14	34
	18,486	21,267

4. Investment Expenses and Charges	2012	2011
	£	£
Investment management expenses, including interest	964	915
Losses on the realisation of investments	3,199	4,680
	4,163	5,595

5. Profit/(Loss) on Ordinary Activities before Taxation	2012	2011
	£	£
Operating profit/(loss) is stated after charging		
Directors' remuneration	-	-
Amortisation of Syndicate capacity	4,594	5,591
(Profit)/loss on disposal of intangible fixed assets	(15,457)	-
(Profit)/loss on exchange	17,758	(28,994)

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 2012

6. Taxation

	2012 £	2011 £
Analysis of charge in year		
Current tax		
UK corporation tax on profit/(loss) of the year	9,683	4,436
Adjustment in respect of previous period	(5,149)	712
	4,534	5,148
Foreign tax	1,102	732
Total current tax	5,636	5,880
Deferred tax		
Origination and reversal of timing differences	-	(21,715)
	5,636	(15,835)

Factors affecting tax charge for period

The tax assessed for the period is different to the standard rate of corporation tax in the UK of 20.00% (2011 - 20.25%) The differences are explained below

Profit/(loss) on ordinary activities before tax	(32,051)	(117,919)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2011 – 20.25%)	(6,410)	(23,879)
Effects of		
Underwriting results subject to timing differences for taxation	16,314	26,734
Creation/(utilisation) of tax losses	-	-
Foreign tax	882	584
Expenses not deductible for tax purposes	-	-
Other corporation computation adjustments	-	1,730
Marginal rates of taxation and prior period adjustment	(5,150)	711
Current tax charge for the period	5,636	5,880

The results of the Company's participation on the 2010, 2011 and 2012 years of account and any calendar year movement on 2009 and prior run-offs, will not be assessed to tax until the year ended 31 December 2013, 2014 and 2015 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

7. Dividends

	2012 £	2011 £
Amounts recognised as distributions to equity holders in the period.		
Interim dividends paid	-	38,430

Silver Lining 55 Limited

Notes to the Financial Statements For the year ended 31 December 2012

8. Intangible Assets	2012	2011
	£	£
Purchased Syndicate capacity		
Cost		
At 1 January 2012	32,867	32,167
Additions	-	700
Disposals	(5,684)	-
At 31 December 2012	<u>27,183</u>	<u>32,867</u>
Amortisation		
At 1 January 2012	19,684	14,093
Provided during the year	4,594	5,591
Disposals	(3,767)	-
At 31 December 2012	<u>20,511</u>	<u>19,684</u>
Net Book Value		
At 31 December 2012	6,672	13,183
At 31 December 2011	<u>13,183</u>	<u>18,074</u>

9. Financial Investments

Other financial investments – Syndicate

	2012	2012	2011	2011
	Market	Cost	Market	Cost
	Value	£	Value	£
	£		£	
Shares and other variable yield securities and units in unit trusts	106,106	105,930	88,232	87,751
Debt securities and other fixed income securities	528,869	519,162	451,260	451,366
Participation in investment pools	31,230	38,081	17,818	17,609
Loans secured by mortgages	6,459	6,362	2,793	2,790
Other loans	-	-	-	-
Deposits with credit institutions	9,562	9,544	1,492	1,492
Other	13,479	12,947	30	362
	<u>695,705</u>	<u>692,026</u>	<u>561,625</u>	<u>561,370</u>

Listed investments included in the market value above

Shares and other variable yield securities and units in unit trusts	106,106	88,232
Debt securities and other fixed income securities	528,869	451,260
	<u>634,975</u>	<u>539,492</u>

Silver Lining 55 Limited

Notes to the Financial Statements For the year ended 31 December 2012

10. Other Debtors

	2012			2011		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Amounts due from group undertakings	-	-	-	-	-	-
Other	110,867	111,274	222,141	153,846	55,612	209,458
	<u>110,867</u>	<u>111,274</u>	<u>222,141</u>	<u>153,846</u>	<u>55,612</u>	<u>209,458</u>

11. Funds at Lloyd's

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

	2012			2011		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Cash	-	17,344	17,344	-	13	13
Investments	-	-	-	-	-	-
	<u>-</u>	<u>17,344</u>	<u>17,344</u>	<u>-</u>	<u>13</u>	<u>13</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

	2012 Authorised	2012 Allotted, called-up and fully paid	2011 Authorised	2011 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 2012

13. Profit and Loss Account

	2012			2011		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Retained profit/(loss) brought forward	(54,241)	19,452	(34,789)	98,937	6,788	105,725
Reallocate distribution	(99,825)	99,825	-	(32,510)	32,510	-
Profit/(loss) for the financial year	(13,225)	(24,462)	(37,687)	(120,668)	18,584	(102,084)
Equity dividends	-	-	-	-	(38,430)	(38,430)
Retained profit/(loss) carried forward	(167,291)	94,815	(72,476)	(54,241)	19,452	(34,789)

14. Reconciliation of Movements in Shareholders' Funds

	2012 £	2011 £
Opening shareholders' funds	(33,539)	106,975
Profit/(loss) for the financial year	(37,687)	(102,084)
Equity dividends	-	(38,430)
Proceeds from issue of shares	-	-
Closing shareholders' funds	(71,226)	(33,539)

15. Provision for Other Risks and Charges

Deferred Taxation	2012 £	2011 £
Opening balance	-	21,715
Profit and loss account charge	-	(21,715)
Closing balance	-	-

Silver Lining 55 Limited

Notes to the Financial Statements For the year ended 31 December 2012

16. Other Creditors including Taxation and Social Security

	2012			2011		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Corporation tax	-	8,971	8,971	-	5,148	5,148
Directors' loan accounts	-	17,319	17,319	-	-	-
Third party funds	-	-	-	-	-	-
Other creditors	154,693	1,195	155,888	92,391	1,006	93,397
Amount due to group undertakings	-	-	-	-	-	-
	154,693	27,485	182,178	92,391	6,154	98,545

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

	2012 £	2011 £
Profit/(loss) on ordinary activities before tax	(32,051)	(117,919)
(Profit)/loss attributable to Syndicate transactions	113,050	153,178
Profit/(loss) – excluding Syndicate transactions	80,999	35,259
(Increase)/decrease in debtors	(55,662)	(36,432)
Increase/(decrease) in creditors	(12,705)	24,194
(Profit)/loss on disposal of intangible assets	(15,457)	-
Amortisation of Syndicate capacity	4,594	5,591
Realised/unrealised (gains)/losses on investments	-	-
Net cash inflow/(outflow) from operating activities	1,769	28,612

(b) Movement in Cash, Portfolio Investments and Financing

	At 1 January 2012 £	Cashflow £	Changes to Market Value £	At 31 December 2012 £
Cash	14	17,330	-	17,344
Other financial investments	-	-	-	-
	14	17,330	-	17,344

Silver Lining 55 Limited

Notes to the Financial Statements For the year ended 31 December 2012

18. Related Party Disclosure

There are no related party transactions 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